

CHAPTER-1

INTRODUCTION

1.1 General Background

Nepal is a land locked, agrarian and least developed mountainous country in the world having an area of 1,47,181 square kilometers and population 2,31,51,423 according to the census of 2001. It is sandwiched between two big Asian countries China and India. Northern neighbour china has exhibited the highest one digit growth throughout past decade and aspires for a double digit in near future. Similarly, the neighbour in south with open boarder by three sides and bearing close cultural and social ties since ages have gained an attractive growth path nearly equivalent to the northern neighbour. Nepal is the least developed country in the South East Asia with two fifth of the population in absolute poverty line and from human development perspective the country is listed at 144th position in the world.¹ Complex geographical situation, not proper resource mobilization, lack of entrepreneurship policies for entrepreneur and different policies and plans made by different government are various responsible factor for downward of the economy. Topographic variations have generated problems on the settlement patterns of the people and social-cultural settings. Politically/Administratively Nepal is divided into five development regions, fourteen zones and seventy five districts. The main purpose of administrative division is to develop equally in all development regions and distribute the return to the people of that region proportionately.

¹Pradhan Bindiya & Sita Shrestha (14 Baishakh 2061), "Rastra Bank Samachar".

Nepalese economy basically depends upon agricultural. It is a major source of employment, national income, food, fodder, industrial raw material, exportable items, basis of trade and commerce and major investment sectors. Currently, the Nepalese economy in contrast to the accelerating level of growth in neighbouring countries. Almost 90% of the population lives in rural areas where much of the employment and income generation depend directly or indirectly in agriculture.² Nepal is ranked 140th country among 177 countries in the world according to UNDP's "Human Development Index" of 2003. It has low growth rates of less than 4% per annum for last three decades.³ The growth rate is insufficient for substantial poverty reduction and enhancing the competitiveness of the economy. The average economic growth rate became negative due to the conflict and insecurity problems.

The fiscal position of Nepalese's is historically imbalance with spending much more than revenue. Government budgeted deficit stands at 5% of GDP. Financial system was under government's control till 1980's. Liberalization started from mid-eighties and accelerated during nineties. It paved the way for increasing the contribution of non agricultural sector in the economic growth with a commendable development in financial sectors and some achievements in trade. After the adoption of open and liberal economic policy, the government started to implement privatization of public enterprises as an important instrument for economic reforms. With the concept of globalization, Nepal's entry in to the WTO, on 11th September 2003 as 148th member. To initiate micro finance; in 1990's a commercial bank came into existence along with many finance companies, development banks, co-operative institutions and non-government organization's (NGO'S). At present, there are 17 commercial banks, 10 development banks

² World Bank (September 1998), NEPAL-South Asia Brief. Kathmandu: World Bank.

³ Ibid. "Growth and Globalization Challenges for Nepal", Gunakar Bhatta.

including two in the government, 11 rural micro finance development banks, 55 finance companies, 13 insurance companies and 24 financial NGO'S approved by NRB. Besides these, there are 1138 saving and credit co-operative societies; among them 34 are permitted for limited banking transaction by NRB.⁴

The reform measures aim at transforming the business and investment climate that is crucial to economic growth, employment generation, rural development, poverty reduction and country's integration to the global economy.

1.2 History of the Co-operative

With the ancient period, development of human civilization, the sense of co-operation grew into the world. The human beings splinted into have and have not. In other words exploited and exploiter. The social scientist thought that co-operative movement was one of the best way of eradicating such social evils and uplifting the rural as well as the urban poor. The word co-operation is derived from the Italian word "Co-operari" which means to work together. Literal meaning of Co-operative is the mutual help among people. Co-operative organization has distinct character in comparison to other organizations due to its own Co-operative development as well as its success. Co-operative helps to distribute wealth and profit equally to all. It minimizes exploitation from money lenders/landlords, traders and discourages black marketing and artificial scarcity. Association 1995 describes "A Co-operative is an autonomous association of persons, united voluntarily for the fulfillment of their common interest, through a jointly owned and democratically controlled enterprise"

⁴ Ibid. p. no. 65

Co-operative is an organization which operates its activities in equality basis. It has two entities. The prime objective of Co-operative organization is to serve the members to their best ability and responsibility. It cannot go beyond the Co-operative values and principles. At the same time profit is also necessary for its existence growth and expansion. These organizations have to classify twin objectives i.e. social as well as profit.

The Concept of Co-operation was introduced in the 18th century. Robert Owen's contribution considered as important for the Co-operative movement. He made an organization of labors with the purpose of co-operative to each other. "Rochdale Society of Equitable Pioneer" of England had popular name in co-operative history which was initiated in mid 19th century i.e. in 1844.⁵ Group of factory workers from Rochdale collected saving of 28 pounds regularly for the purpose of investment. The floor co-operative has also been started till mid 19th century.⁶ Luigi Luzzati, the first co-operative started in Italy.⁷ In 1852, Franz Schulze has an organization having principles of co-operative "Each for all and all for each". He also published a book named co-operative banking in 1956.

F.W. Raiffeison established an organization named "Grand union of rural co-operative societies in Germany". Co-operative movement was started in 1866 in Denmark. In 1991 "Credit union national Extension Bureau" was established in the United States of America. In India Co-operative was initiated in 1904, whereas Sri Lanka in 1906, Taiwan in 1910, the Philippines in 1915, and Thailand in 1916 and in Nepal 1953's.

⁵ Britannia Vol.3

⁶ Co-operative and its Development-Co-operative Training Centre 2058

⁷ Sudur Darpan-Smarika 2060

The co-operative movement in India is largest in the world with 50.04 lakh co-operative societies having membership of more than 21 crores, according to the Task Force on Training and Human Resource Development. It is estimated that there are 13.90 lakh employees in credit and non credit sectors and there are 28 lakh members on the board or management committees.

Srilanka is an island. It is situated in the Indian Ocean to the south east of India. In Srilanka, 'Ceylon Agricultural society' was established in 1904, under the chairmanship of Ceylon governor. Similarly, Agricultural bank was established in 1909. Co-operative movement appeared in Srilanka after the establishment of Agricultural bank.

1.3 Co-operative in Nepalese Perspective

A co-operative for the Nepalese society is not newly acquainted. Helping peoples among the community was & is our tradition: in case of marriage, death and planting farms.

The co-operative reform is very recent experiment in Nepal. To trace its history, it's not necessary to look back countries. The importance of co-operatives in development of rural economy was realized only after the political changes in 2007 B.S in Nepal. The first step was the establishment of separate department for co-operatives in 2009B.S. In real sense, the co-operative movement began since 2009 when the first Co-operatives Society Act was formed. The act contributed in planning, organizing, running, administrating and evaluating various types of co-operative societies like Multipurpose Co-operative Societies, Co-operative Credit Societies, Cottage Industrial Co-operative Societies, Dairy Co-operative Societies,

Marketing and Credit Units and Consumer Co-operative Societies in many parts of the country.

Before the establishment of Co-operative Bank, there was no agency to finance the co-operatives and because of that, Co-operative Development Fund did the financing job. The Development Fund distributed loan equivalent Rs. 4108000.00 to facilitate the day-to-day works of co-operatives.

During the first Five-Year Plan Period of 2013-18, many co-operatives of different types were established as the government provided the fund facilities to them. The table given below shows number of co-operative societies established during that period.

Table 4.1
Co-operative Societies in First Five Year Plan (2013-18)

<i>S.N.</i>	<i>Types</i>	<i>Numbers</i>
1	<i>Multipurpose Co-operative Society</i>	188
2	<i>Co-operative Credit Society</i>	144
3	<i>Cottage Industrial Co-operative Society</i>	18
4	<i>Dairy Co-operative Society</i>	3
5	<i>Consumers Co-operative Society</i>	12
6	<i>Marketing and Credit Union</i>	4
7	<i>Others</i>	9
	<i>Total Number of Co-operative Societies</i>	378
	<i>Total Number of Members</i>	11059
	<i>Total Share Capital of Co-operative Societies</i>	362693.00
	<i>Total Government Funding</i>	1957233.00

Source: Co-operative Department

The total number of co-operative societies established during the period was 378 and the members were 11059. From the table shown above, it's clear that the government provided 98% of total fund while the shareholders funded only 2%.

Table 4.2**Co-operative Societies before commencement of second Three-Year Plan (2019-22)**

<i>S.N.</i>	<i>Types</i>	<i>Numbers</i>
1	<i>Multipurpose Co-operative Society</i>	<i>168</i>
2	<i>Co-operative Credit Society</i>	<i>23</i>
3	<i>Cottage Industrial Co-operative Society</i>	<i>3</i>
4	<i>Dairy Co-operative Society</i>	<i>1</i>
5	<i>Consumers Co-operative Society</i>	<i>1</i>
6	<i>Marketing and Credit Union</i>	<i>2</i>
7	<i>Others</i>	<i>5</i>
	<i>Total Number of Co-operative Societies</i>	<i>203</i>
	<i>Total Number of Members</i>	<i>4823</i>
	<i>Total Share Capital of Co-operative Societies</i>	<i>124153.00</i>
	<i>Total Government Funding</i>	<i>989000.00</i>

Source: Co-operative Department

After the first Five-Year Plan and before beginning of the Second Three-Year Plan, 1500 members of the co-operatives were given short-term training. During the Second Three-Year Plan, 378 co-operative societies were established and the members were 11059. In this period, the co-operative shareholders desired to invest more and therefore, they funded 11% while the government had to provide only 89% of total fund.

During this period, people as well the government realized that the Co-operative Development Fund was not enough to fulfill the necessities of agriculture sector and found to be insufficient to supply the credit amount to co-operative societies. Therefore, a new central financing body or agency for financing the co-operative societies was necessary and because of this fact, a co-operative bank was established under the Co-operative Bank Act 2020. In starting, the bank had a capital of Rs. 50 lakhs. Not only the problem of financing, the co-operatives were

having many problems because of insufficiency of trend personnel. To produce more skilled and trend personnel, a Co-operative Training Centre was established in 2020. This centre was under the Co-operative Department of HMG and it, later on, produced auditing personnel, co-operative inspectors, sub inspectors and other officials.

Because of the training provided by the Co-operative Training Centre, many societies organized and the total of 624 co-operatives with 13916 members were found organized at the end of Second Three-Year Plan. But at the end of Third-Five Year Plan there were only 366 co-operatives of different types with 41365 members having a share of Rs. 1062286.21 as shown below.

Table 4.3
Co-operative Societies in Third Five-Year Plan (2022-27)

<i>S.N.</i>	<i>Types</i>	<i>Numbers</i>
1	<i>Multipurpose Co-operative Society</i>	341
2	<i>Co-operative Credit Society</i>	4
3	<i>Cottage Industrial Co-operative Society</i>	1
4	<i>Dairy Co-operative Society</i>	1
5	<i>Consumers Co-operative Society</i>	12
6	<i>District Co-operative Society</i>	7
	<i>Total Number of Co-operative Societies</i>	366
	<i>Total Number of Members</i>	41365
	<i>Total Share Capital of Co-operative Societies</i>	1062286.21

Source: Co-operative Department

According to the change of time and practices of Nepalese economy, many co-operatives established and closed. Because of inability of works, registrations of some were canceled and some were re-registered. Till the FY 2027/28, 1491 co-operatives were in existence. In FY 2026/27 registration of 150 co-operatives were

declared invalid and 225 re-organized but again 70 were cancelled. Thus, by the year 2028, there were only 1038 co-operatives working.

So, to facilitate the formation of co-operative societies for the promotion of thrift, self help and mutual co-operation among agriculturist, artistians and other persons having small capital, the Co-operative Act 2016 came out. On the other hand, the co-operative societies were facing various problems such as lack of effective administration, transportation and communication, poverty, literacy, tenancy system and overall influence of money lenders. Operation of co-operative bank was limited to the co-operative sectors only. The farmers and agriculturists outside co-operative sectors were not getting benefits from the banks because of limitations given in the act. As the scarcity of finance was not fulfilled, the farmers were not in a position to develop their farm. Not only this, but if all the farmers seeking fund ask for loan, the bank may not be able to accomplish their desire also. In addition, the bank was also having very few efficient personnel and the co-operatives were unable to perform satisfactory woks.

With a view to develop saving habit among Nepalese farmers, the compulsory saving scheme was launched in Nepal for the first time. This was regarded as an integral part of Land Reform Programme of FY 2020/21, which was aimed to accumulate and mobilize scattered savings of the individual farmers in accordance with the principle of maximum utilization of domestic resources. The collection of resources was done in cash or crop, whatever is available, from tenants as well as landowners. The built up saving is used for landing loans in reasonable interest rate to the farmers. The village committee used to collect some savings from farmers before the establishment of co-operative societies.

'Makaguthi' at Kathmandu, 'Parma' at hilly region, 'Dhikuti' at west Nepal and 'Dharmbhakari' all over the country were the most popular traditional co-operative forms.⁸ But the co-operative society became organized in Nepal since 2010 B.S. Due to lack of co-operative act and lack of emerged sensation on the people, co-operatives could not flourish. However, in 2013 B.S., first co-operative institution was established in Chitwan named Loan Co-operative society. In 2016 B.S., His Majesty Govt. of Nepal formulated the Co-operative Organization Act 2016; Co-operative Development Fund in 2017 and Co-operative Organization Bylaws in 2018. For the promotion of co-operatives, Sajha Kendriya Sansthan was established in the principal security of His Majesty king Mahendra.⁹ In 2019 B.S., Co-operative teaching Centre was also established on the ownership of government and other business-type of co-operative organizations thereafter. In 2020 B.S., Co-operative Bank was not only established but also absorbed under Agriculture Bank in 2024. Until the formulation of Co-operative Act 2048 and Bylaws 2049, merging and separating tendency situated. Co-operative Act 2041 has been winding -up after the act 2048 came into existence.

Democratic control of the member over organization, open and voluntary membership, economic participation, organizational freedom, group co-operation, responsible towards society are the general principles of co-operative organization. Co-operative societies are established aimed at group co-operation among members not for the profit motive. In our country, co-operative programs are held especially for the rural sectors development. The examples of former co-operative organization are Sajha Swasthya Sewa, Sajha Pasal, Sajha Bhandar and Sajha Yatayat.

⁸ Hari Prasad Shrestha, Business Principles and Office Practices , (2052)

⁹ Ibid.

The co-operative act 2048 and Bylaws 2049 evoked a new movement in the co-operative sector. The Ministry for Agriculture and Co-operatives, International Co-operative Alliance (ICA), Rastriya Sahakari Board, Rastriya Sahakari Shangh, Sahakari Division Office and Rastriya Sahakari Bank are few sectors working in the promotion of co-operative organization.

The co-operative Act 2048 as well Bylaws 2049 fetches the further opportunities. Co-operative organizations are given the approval for banking transaction. After two years of the act introduced, *Navajeevan Co-operative Society Ltd. Dhangadhi is founded as a first Co-operative Banking Office of Nepal.*

In a very short span, many co-operative banking organizations are established, but all of them could not function properly. Few co-operatives cheated the people dismissing their deposit. So, the co-operative act 2048 has made amendment such that 'the co-operative organization are provided limit banking transaction with their shareholders only'.¹⁰ Now a day, at all 34 co-operative organizations are working under the NRB approval.

In fact, a single person is nothing but very weak, helpless and incomplete to step ahead in the world of complexity.

1.4 Profile of Navajeevan Co-operatives Ltd.

With the joint co-operation of seventeen persons an institution was founded in Kailali on 16 Shrawan, 2049 B.S. named "Samudayik Bachat kosh".¹¹ Later on, with the help of immediate office manager of the district co-operative office

¹⁰ Sec.26, Co-operative act 2048

¹¹ Navajeevan Smarika, year publication, 2058.

Kailali, the name was transferred to Navajeevan Co-operative Society Ltd. and registered under the central co-operative department Jawalakhel, Lalitpur with registered number 307/049/050 in 15 Baisakh, 2050.

Getting the approval letter of NRB Banking Management Department Kathmandu of 20 Ashwin, 2050; it became the first co-operative banking office of the Kingdom of Nepal. The opening ceremony celebrated on 30 Mangshir, 2050 by the immediate assistant minister for construction and transport Mr. Shiva Raj Joshi. The article of association was synthesized, then realized by the letter of HMG co-operative department dated 13 Magh, 2051 having function sector of the banking office all over the country.¹² Country wise shares were published in the open market through the different branches of Nepal Bank Ltd. and Rastriya Banijya Bank, since 1st Chaitra 2051.¹³

However, sympathy goes to those 64 founder members that devoted their sweet, soil and tears on behalf of the organization. One share one vote is the popular concept of co-operatives. It has passed its one decade of establishment successfully and going on 13th year. Forty two employees are directly involved with this organization and operating services through three branches; situated at Dhangadhi Kailali, Tikapur Kailali and Guleriya Bardiya after the formulation of Co-operative Act 2048 as well as Bylaws 2049 respectively. Co-operative organizations are given the approval for banking transaction. Various Co-operative banking organizations were introduced but due to bad performance for the welfare of the societies, some of them are collapsed. Most of the Co-operatives operating in

¹² Article of Association, Navajeevan co-operative society Ltd. (2050).

¹³ Financial history, Navajeevan co-operative society ltd.

urban areas are anxious to expand their business and earn more profits rather than to see whether a particular activity is consistent with the Co-operative principles.

In order to mobilize the savings of the society financial institutions are considered as intermediaries and play a crucial role for the up-liftment of the economy of the society.

At present, 58 Co-operative societies were registered in Kailali district. Among them 28 are multiple purpose Co-operative societies. In course of operation 12 multipurpose Co-operative societies are in inactive position. Five multipurpose co-operative organizations are located in Dhangadhi; all are running smoothly and doing banking transaction along with Navajeevan Co-operative society Ltd.

1.5 Statement of the Problem

Nepal is an agricultural, least developed South Asian country in the world. The contribution of agricultural sector on GDP is 39% approximately in F/Y 2002/03 and F/Y 2003/04. (*Economic Survey, 2004:8*)

Being member of WTO there is threat as well as opportunities to Nepal. We have to restructure our agriculture/co-operative sector to be competitive and to face competition globally. We have to create portfolios on agriculture and have to identify possible line of agricultural opportunities. To take advantage being of WTO, Nepal requires huge investment in agricultural sector. This Research constitutes and explores existing problem in agriculture sector to invest and collect money/credit.

The total agricultural/rural credit requirement of Nepal is estimated at 18 billion, while the total supply from the formal banking sector is Rs.5 billion only. Natural calamities and politics have increased tolerance for loan defaults, waivers and postponements. Ultimately loan investment and collection is affected by these factors. (*Vokes, 2003:29-30*)

Nepalese economy is characterized by very low per capita income, high population growth, lack of inadequate infrastructure and low economic growth rate. Co-operative movement is one such a measure to ease and lower the blow of poverty for underdeveloped country and its people. Nepalese industry is in the infant stage due to shortage of capital and raw materials, lack of technical know-how and entrepreneurship. For the less developed countries development should mean eradication of absolute poverty and reduction in inequalities. In this regard, one of the fair answers is co-operative through which illness of the economy can be removed. The co-operatives are established and managed to solve the daily necessity problems of goods, agricultural products (inputs) and exploitation of inter-mediaries to the mass people. The solution of agricultural production, loan distribution is easy through the co-operatives. Therefore, the overall financial status of such co-operatives should be done.

Most of the Nepalese people depend upon non-institutional money lenders. Generally, three type of agencies flow rural/agricultural credit to poor and ultra poors. Formal agencies include- bank and finance companies, semi formal agencies include co-operatives, NGOs and INGOs and informal agencies include landlords/merchants. Institutional money lenders still not have been able to provide adequate agricultural financing to rural people. Obviously, non-institutional money lenders charge high interest rate to the farmers. Due to high

interest rate, farmers are unable to pay loan and interest in fixed time. So, loan increases year after year causes his /her generation's lives passes with debt, lives in debt, die in debt and bequeaths in debt. So, this system also compels them to transfer their property to money lenders as a result, they become landless.

There has been a negative impact on overall production, supply, price, deposit mobilization, credit disbursement and implementation of development projects due to several problems emanating from conflict and unfavorable security situation (*HMG/N/MOF, 2004:16*).

Sound financial position and quality of service is main-stream of a successful organization. It has been regarded as one of the conditioning factor in the decision making issue. For finding the financial strengths, weaknesses, opportunity and threats of organization financial performance and the main indicators of the success or failure has to be analyzed. Since the decade of organization founded, the research conducted has not been found yet. Therefore, the study tries to identify the actual situation of the organization during the period. The study main focuses on-

1. What is the financial status of co-operative in terms of asset and debt management?
2. Whether the co-operative is success in collecting non-performing loans given to the customers? If not, why?
3. What are the income generating sources, income/expenditure position and their trend?
4. Do the employees get satisfy with their job?

5. Is there any correlation between loan disbursement and profit earned?
6. Do depositors, investors and shareholders satisfy with the efficiency of the co-operatives?
7. How far the variance between risk and return?
8. What kind of trend exists in liquidity, profitability and other ratios?
9. What is the composition or deployment of the shareholders?
10. Whether there is significant relationship between targeted & actual loan investment and collection?
11. What factors that can affect repayment performance?

So, this study is required to search and explore the answers of these questions.

1.6 Objectives of the study

This study has been undergone with the purpose to achieve the following objectives.

- 1. To evaluate the performance of co-operative in terms of :**
 - Liquidity and operational efficiency.
 - Ratio analysis and management of assets.
 - Trend of Profit and loss.

- 2. To evaluate the deposit mix in terms of:**
 - a. Deposit growth rate.
 - b. Impact of interest rate on deposit.

- 3. To analyze the loan disbursement and collection trend in terms of:**
 - Loan disbursed sectors (Objective wise).
 - Impact of interest rate on loan disbursement.
 - Loan classification (Pass, substandard, doubtful and loss).
- 4. Comparative analysis of deposit and loan disbursement.**
- 5. To analyze non-performing & non-banking asset of the organization.**
 - Causes of non-performing asset (Internal, external & other).
 - Impact of non-performing asset (NPA).
- 6. To analyze the cash flow pattern & estimate the risk return of co-operative.**
- 7. To know the deployment and composition of the shareholders.**
 - Geography wise (Regions/ Zone/District).
 - Caste wise (Bramhin, Chettri, Dalit, Chaudhary, Newar, others).
 - Amount wise (Rs.1000, 1000-5000, >5000).
 - Share capital trend.
- 8. To identify the job satisfaction of employees.**
- 9. To provide suggestion and recommendations for corrective measures.**

1.7 Hypothesis

Hypothesis is a conjectural statement about the relationship between two or more variables which needs to be investigated for the truth by valid and reliable data. The research of this study strongly holds that the hypothesis formulated meets the mentioned criteria. The following hypothesis has been set for the study.

T-test:

[A] Hypothesis first

H_0 : $\mu X_1 = \mu X_2$ (There is no significant difference between the mean ratios of *targeted loan disbursement* and *actual loan outstanding*).

H_A : $\mu X_1 \neq \mu X_2$ (There is significant difference between the mean ratios of *targeted loan disbursement* and *actual loan outstanding*).

[B] Hypothesis second

H_0 : $\mu X_1 = \mu X_2$ (There is no significant difference between the mean ratios of *targeted loan collection* and *actual loan collection*).

H_A : $\mu X_1 \neq \mu X_2$ (There is significant difference between the mean ratios of *targeted loan collection* and *actual loan collection*).

Correlation:

[C] Hypothesis third

H_0 : $\rho = 0$ (There is no correlation between *loan outstanding* and *profit earned* of different years).

H_A : $\rho \neq 0$ (There is significant relation between *loan outstanding* and *profit earned* of different years).

[D] Hypothesis fourth

H_0 : $\rho = 0$ (*Non banking asset* and *non performing asset* has no relation)

H_A : $\rho \neq 0$ (There is correlation between *non banking asset* and *NPA*).

F-test:

[E] Hypothesis fifth

- H_0 : $\mu X_1 = \mu X_2 = \mu X_3 = \dots = \mu X_n$ (There is no significant difference on loan outstanding of different years -purpose wise).
- H_A : $\mu X_1 \neq \mu X_2 \neq \mu X_3 \neq \dots \neq \mu X_n$ (There is significant difference on loan outstanding of different years -purpose wise).

1.8 Significance of the study

The basic purpose of this field work assignment report is to fulfill the partial requirements for the degree of MBS, though it will be beneficial for the co-operative organization to maximize their revenue, theoretical and practical importance to its customer, benefit to the relevant researcher and benefit for the general people who are willing to know about the co-operative organizations.

Co-operative study plays a significant role in the structural transformation of the agriculture economy and state economy. Ultimately, the study assumes greater significance now a day. Co-operatives have been accepted all over the works as a productive use for the benefit of the poor sections of the society.

1.9 Limitations of the study

None of the study can go beyond the boundary while collecting, analyzing and interpretation of data; though an effort has been done for avoiding errors. Even if, due to the lack of sufficient fund, helpful colleagues and time boundary, inadequate published materials in the field of co-operative, following are to be considered the report constraints.

- The study is limited over the periphery of objectives.
- The study is more concerned to the financial section.
- Obviously, cumulative & each year-end secondary data are used.
- Primary data used for job satisfaction objective is limited around the employees working in Dhangadhi branch only.
- In the course of study, at least four years data are used.
- Basically, financial tools are used to analyze the financial status of Navajeevan Co-operatives Ltd.
- The study may not disclose the 100% image of the organization.

1.10 Organization of the study

Each and every research is organized according to the nature and requirement of the study. The organization of study is classified into five chapters.

- › Introduction.
- › Review of the literature.
- › Research methodology.
- › Presentation and analysis of data.
- › Summary and conclusion.

CHAPTER-2

REVIEWS OF LITERATURE

Review of literature is 'stock taking' of available literature in one's field of research so that all the past studies, their conclusion and efficiencies may be known and further research can be conducted. Moreover, an extensive process of such review may offer vital link with the various trends and phases in the researches; in one's area of specialization. This chapter highlights the literature available relating to the present study. The researcher had reviewed books, journals articles, related regulations, acts and annual report related to the research. Literature review provides a foundation of knowledge for undertaking the result more clearly.

2.1 Meaning of Co-operatives

Since the mankind takes place in the earth, he/she learns something from the society. Society is the aggregate of the people in a locality. Therefore, a relation exists along with the community people. No human being can live independently; rather he/she needs the co-operation of a community. In fact, a single person is nothing but very weak, helpless and incomplete to step ahead in the world of the complexity to face his/ her numerous and complicated requirements. Co-operation in common parlance pronounced as working together. In the course of time, co-operative ascended towards money transaction and pure co-operatives demolished.

The word co-operation is derived from Latin word "Co-operari" which means working together. Co-operation means living, thinking and working together for a common goal or objectives. The motto behind co-operative is "*each*

for all and all for each". Co-operation means unity, strength and coordination. Co-operative is a voluntarily and democratic association of human beings based on equity and mutuality for the promotion of their common interests.

Thus, on the basis of foregoing explanation, the characteristics of co-operatives can be listed below:

- ➔ It is an association of individuals for the achievement of common objectives.
- ➔ It embodies in itself certain ideologies, such as- self help, mutual assistance and team sprit.
- ➔ It aims at common welfare.
- ➔ It clearly indicates that there are certain tasks which cannot be performed at individual level.
- ➔ It teaches us "unity is strength".
- ➔ It involves a sprit of dedication and honest service.
- ➔ It is a business organization.

2.1.1 Principles of co-operative

International Co-operatives Alliance prescribed the following principles of co-operation-

1. Voluntary and open membership.
2. Democratic control over the organization.
3. Economic Participation.
4. Autonomous and self control.
5. Education, training and information.
6. Concern to society.
7. Co-operation among co-operatives.

2.1.2 Co-operative Movement in Nepal

For the prosperous economic growth and development, a country has to adopt best model, suited on its soil. So, the co-operative might have been the right model for underdeveloped countries- like Nepal. The co-operative movement in Nepal has been forced over 50 years.

After the establishment of co-operative department, the organized co-operative movement has been started. The first co-operative society was established in Chitwan in B.S 2013. For imparting necessary funds, providing the credit to co-operatives as well as agro-business or industries, a Co-operative Bank was established in 2020B.S. The Co-operative Bank was converted into Agriculture Development Bank in 2024. In 2033, all the co-operative societies converted into Sajha Institution. The institutional objectives were set to supply daily necessary consumers goods, pesticides, fertilizers, mobilize saving through bank in rural areas and providing raw materials, credit to the rural peasants. As a result, all the co-operatives and villager committees were converted into Sajha Industries in Nepal (*Sahakari Prabaha 2058*).

Despite the long experience of co-operative in the formation of multipurpose societies, the position didn't improve up to desired level. Many co-operative societies remained multi-purpose only in name. After the restoration of democracy in 2046 B.S., a high level National Co- operative Confederation Advisory Committee was formed by the interim government. The committee made an in-depth analysis and prepared a report. Under which National Co-operative development Board (NCDB) was formed to make policy guidelines. After the enactment of Co-operative Act 2048 the number of Co-operatives increased.

The major co-operative movement is summarized as-

2010(1953) Setup Co-operative Department under the ministry of Plan Development and Agriculture.

2013(1956) Issue of executive order for the legal recognition of co-operative societies by the government. Formation of loan co-operative society in Chitwan by name "Bakhan Singh saving and credit co-operatives."

2016(1959) Co-operative Department transferred under the Ministry of Food, Agriculture and forest. Issue of Co-operative Act 2016.

2018(1961) Issue of Co-operative regulation 2018. First amendment of Co-operative development fund. Establishment of Sajha Sanstha limited.

2019(1962) Establishment of Co-operative Training Centre (CTC). Establishment of Co-operative exchange and loan Association. Issues of Co-operative Department transferred under the Ministry of Panchayat.

2020(1963) Beginning of Agriculture re-organization programme.

2021(1966) Co-operative department has been transferred under the Ministry of Land reform, Agriculture and food.

2024(1967) Formation of Central Investigation Committee for Co-operatives. Co-operative Bank absorbed into Agricultural Development Bank.

2026(1969) Co-operative Department has been transferred under the ministry of Land Reform. Operation of Co-operative Agriculture Development. Co-operative exchange and Loan Association changed into District Co-operative Association.

- 2027(1979) Second amendment on Co-operative Act 2016. Arrangement of Central and District Co-operative improvement committee. Co-operatives societies' management transferred to the Agricultural Development Bank.
- 2028(1971) First Amendment in Co-operative Regulation 2018.
- 2029(1972) Regular Sajha programme is enacted.
- 2033(1976) Beginning of population education through Sajha. Occurrence of central Sajha Development committee. Second amendment on Co-operative Regulation 2018. Share of Sajha came into existence, instead of compulsory saving.
- 2034(1977) Fiscal Regulation 2034 issued for the Sajha society management.
- 2035(1978) Management of Co-operatives again transferred to operating committee from ADF/N. Issues of fiscal and administrative regulation raised. Emphasis on Sajha Societies' Quantitative improvement rather than qualitative improvement.
- 2041(1984) Issues of Sajha society Act 2041.
- 2043(1986) National Sajha Seminar was conducted. Issues of Sajha Society Regulation 2043. Co-operative Development changed into Sajha Development. Sajha Development Training Centre changed into Co-operative Training center. Regional Co-operative Office changed into Regional Sajha Development Office. Co-operative Branch changed into Sajha Development Branch.

- 2044(1987) For the effective development of Sajha movement, a high level central coordination committee was formed with 17 members. Sajha Development Department transferred under the ministry of Agriculture.
- 2045(1988) Announcement to return of compulsory savings to the savers.
- 2046(1990) Formulation of adhoc committee for the formulation of Center Sajha Society.
- 2047(1991) Formulation of seven members Central Co-operative General Association Committee and the committee submitted its report. Seminar conducted on the topic National Co-operative Development.
- 2048(1991) Winding up of Sajha Central Office. 11 members National Co-operative Development Board formed.
- 2049(1992) Issued Co-operative Act 2048. District Co-ordination Committee and Co-operative Adhoc Committee were formed. Sajha Department transferred into Co-operative Department. Sajha Training Center altered as a Co-operative Training Center. Regional Sajha Development Branch changed into regional Co-operative office. Sajha Development Branch changed into District Co-operative Office.
- 2050(1993) Co-operative Society Regulation 2049 was issued. Elections under Co-operative organization have been conducted in nation wide. Formulation of National Co-operative Federation. National Saving and Credit Co-operative Federation were established. Establishment of

Nepal Federation of Saving and Credit Co-operative Unions Ltd. (NEFSCUN). Central Diary Co-operative Federation was established. Consumer Saving and Credit Co-operative Societies are established at the large scale all over the country. (*Co-operative and its Development in Nepal-2058*)

Above list of events under Co-operative movement in Nepal shows a great instability on management of the co-operatives. The management of co-operative changed politically. The main cause of very low development under this sector might have been up and down on co-operative management. The tough priority was given to the co-operative development but can not progress as expected. Nepalese movement seems to march forward together with the international co-operative movement.

2.1.3 Supervisory & Regulatory problems

Since the registration of co-operatives, there is no co-ordination between Central Bank & Department of co-operative, except those who are approved by NRB with in the supervisory and regulatory framework. Many saving and credit co-operatives failed, without being able to make refund of the public deposit due to very weak supervisory and regulatory mechanism of the government. A policy has to be formulated for regulating and supervising financial co-operatives, through a separate entity called Co-operative Bank. The financial co-operatives could become member of the proposed Co-operative Bank voluntarily, unless membership is made compulsory. (*NRB Samachar 14th Baishak, 2060*)

Mr. Ganesh Kumar Shrestha writes an article under the heading "Nepal Rastra Bank in the promotion of co-operatives and rural financing institutions" that Nepal is one of the least developed nations of the world by all indicators of development such as- per capita income, GDP, literacy, life expectancy, economic development and poverty. Almost of the population still reside in rural areas and about 90% of the population is still engaged in agriculture as a main occupation.

2.2 Reviews from Previous Study

Some of relevant review of literature from previous study is presented below within periphery of this research to know enoughness of this original work.

Co-operative is a form of voluntary organization for a joint co-operation of some work on equal terms with common objectives. This form of organization has been growing popular in the sphere of economic activities, particularly among the economically weak members of a community who, by definition, cannot project their interests on an individual basis. Dr. B. P. Shrestha defines the importance of co-operative in the development of rural economy in his book "An Introduction to Nepalese Economy". Co-operative movement gained some momentum only after the implementation of five year plan.

The Co-operative Society Act 2016 was formulated. Under this act any association having not less than 10 members is eligible for registration as a co-operative society, if organized for economic battlement to its member. The members of co-operative society can drop only one vote irrespective of any numbers. A Co-operative Bank was also established during the second plan period with an initial equity capital of Rs. 500,000.00 to be subscribed by co-operative societies. The Sajha Programme formulated by His Majesty's Government of Nepal

in 1976, which was initially, started with altogether 487 Sajha institutions over 30 districts.

Co-operative movement in Nepal is an experiment. About 70% of the established societies were multipurpose co-operatives. It may be noted that if rural poverty is the justification for co-operation, co-operation alone can do but little to lift rural masses from their abysmal level of poverty. (*An Introduction of Nepalese Economy*)

The co-operative movement in India traces its origin to the agricultural and allied sector. Co-operative Credit Societies Act 1904 is the first attempt to institutionalize co-operatives. Subsequently, its scope was enlarged more by the Comprehensive Co-operative Society Act of 1912. Presently, "Co-operative Society" is a state subject under item 32 of the state.

In the pre-independence era, government policy seems laissez fair towards co-operative for their promotion and development. After the independence, the advent of laissez fair i.e. planned economic development ushered in a new era. Co-operative come in to be regarded as a preferred instrument of planned economic growth & development and emerged as a distinct sector of the National Economy.

Backbones of co-operative in India were Jawaher Lal Neharu, Indira Gandhi, and Din Dayal. The main weak objective of the co-operative is maintaining vote, which causes fake information pushed-out to the members and said to be success and fulfillment of the organization.

2.2.1 Reviews from Books

Shiva Prasad Munakarmi incorporated the fact that the analysis of financial statement is a process of evaluating the relationship between the component parts of the financial statements to obtain better understandings of a firm's position & performance. Analysis of financial statement is done to obtain better insight into a firm's position & performance. Different stakeholders are interested in financial performance analysis. Creditors are interested in analyzing the financial statement, in order to know the short term liquidity position and performance of the firm. They are interested in receiving their payment as and when due. Similarly, investors and lenders are interested to know the solvency position of the organization. They analyze financial statement to know about the safety of their investment and the ability of the firm to pay interest and repayment of principal on due date, whereas management is interested in the analysis of financial statements for measuring the effectiveness of its own policies and decision. Furthermore, shareholders or owners are interested to know the profitability and the growth potentiality.

Financial analysis is conducted using various tools and techniques. Some of them are ratio analysis and cash flow statement.

Ratio is an expression of one figure in terms of another. It is the expression of quantitative relationship between mutually independent two figures. Absolute figures alone convey no meaning. There are four types of ratios: liquidity, profitability, activity & leverage ratio.

A cash flow statement is a statement of company's ability to generate cash from various activities i.e. operating, investing, and financing and the need of cash. It shows the inflow and outflow of cash and cash equivalent during the years.

John J. Hampton had written in his book 'Financial Decision Making' that the financial performance analysis is a process of determining the significant operating and financial characteristics of a firm from accounting data and financial statements. The goal of such analysis is to determine the efficiency and performance of the firm's management as reflected in the financial records and reports.

In his book 'Financial Management' Radhe Shyam Pradhan said that financial analysis is undertaken to assess the financial strengths and weakness of the firm. The analysis is usually based on financial statements prepared by the firm. Financial analysis can serve the basis for decision making. The analysis exhibits whether to use debt or equity for financing.

2.2.2 Reviews from Thesis

Some reviews from previous thesis is given below to justify this research argument-

Mr. Man Bahadur B.K. (1994) has explained under his topic "Financial Performance Analysis of Nepalese" that financial statement analysis and ratio analysis are financial tools widely used to measure the strengths and weakness of the organization. The study concluded that the organizations liquidity position was satisfactory but it had invested its fund in current assets unnecessarily. The asset utilization position is not satisfactory due to its loose and inefficient management, improper management of funds and sundry creditors. The association is suffering the operating loss throughout its study period. The financial performance of the associations in case of fund is very weak. The main problem is found that the organization as a political plate form. So the study suggested that the co-operative

should maintain the political neutrality. If managed and utilized properly, erative can be the back bone of the economic development of our country. It is best way to mobilize the scattered saving of the small farmers and laborers. Our country can go towards a golden tomorrow walking in the way of co-operatives pavement. The co-operative education and co-operative training is a must for the development of co-operative societies.

Mr. Sushil Dahal conducted a study in the years 2053, on the title "Financial Performance of Co-operative Society Ltd. Inaruwa Sunsari". The basic findings of this study was high cost of goods sold, heavy interest expenses, heavy debt capital, low owners capitals, inability to employ funds in profitable sector, low sales revenue, traditional pricing policy etc. are the main variables which reflect the poor financial performance of the co-operative society Ltd. Inaruwa Sunsari. Therefore, Sushil Dahal suggested that the society must remove all these variables and improve its financial performance significantly.

A Study on "Development of Nepal through Co-operative" by **Mr. Thakur Prasad Koirala** reveals that Nepal will be self sufficient and she needn't depend on foreign aid for all-round development. Some problems faced by the co-operative organization are pointed in his study as-

- Inefficient management.
- Unavailability of records.
- Lack of trained personnel.
- Failure to interact with co-operatives.
- Mismanagement in inventory handling.
- Lack of technical guidance.
- Delay in transferring the savings.

Due attention should be made by all concerning authorities, government and public sides. Close supervision and constant guidance is must by the concerned authorities.

Gokul Raj Sharma has conducted a study on the topic "The financial performance of co-operative" with Reference to Samjhana Multiple Co-operative Society Ltd. and Naba-Kshitij Co-operative Society Ltd. in 1999. He concluded in the study that co-operative is a most significant vehicle for mobilizing the scattered savings and patting them in productive use for the society. He outlined few major issues and suggestions-

- Co-operatives have to compete with other financial institutions for attracting deposits.
- For more deposits utilization, they have to grant loan to the member.
- Priority should be given to the rural areas target market, considering the saying- drop of water makes a sea.
- The liquidity position may have been affected by external and internal factors such as interest rates, supply and demand of loans, investment situation, growth or slackening of the finance market, lending policies and the efficiency of internal management.
- Co-operatives should keep-up their efforts in utilizing their assets in the form of performing assets.
- Co-operatives should strive to earn operational profit by increasing their efficiency, mobilizing the resources, minimizing operating expenses as far as possible.

- A higher payout ratio attracts both the existing and potential investors, leading, increase in the market price and the share which consequently leads to the strength financial capability.
- Co-operatives are required to extend their banking branch office.
- Co-operative organizations' should developed co-ordination among the co-operatives and management information should be established.

2.3 Need for Policy Reform

Co-operatives have acquired new dimension in the changing scenario i.e. globalization and liberalization of nation's economy. Internal and structural weakness of these sectors brakes on policy support. There are wide regional imbalances in the development of the co-operatives. The necessity or need for a clear-cut national policy for co-operatives enables sustainable development. The rational policy on behalf of the co-operatives would seek –

- Ensuring the co-operatives and functioning as per basic co-operative values and principles as enshrined in the declaration of the International Co-operative Alliance 1965.
- Revitalization of the co-operative structure, particularly in the sector of agricultural credit.
- Reduction of regional imbalances through provision of support measures by the central/state government.
- Strengthening the co-operative education, training and human resources development for professionalization.
- Greater participation of members in the co-operative management and promoting the concept of user members.

- Amendment on co-operative laws provides the restrictive regulatory regime.
- Evolving a system of inbuilt mechanism in co-operative legislation ensure timely conduct of general meeting, elections and audit of co-operative societies.
- Ensuring the benefit to the poorer of the society and encouraging the participation of such sections. (*Co-operative Bisheshank p. no. 19-24*)

The co-operative movement was launched in India by the Acts of 1904 and 1912. There are a number of state co-operative banks operating in India. Twenty five of these keep bank accounts on Reserve Bank of India having aggregate deposits over Rs. 571 crores as on 30th June 1979. There are also Central Co-operative Banks, Land Mortgage Banks (now called Land Development Banks), host of credit societies. The resource of co-operative credit institution consists mainly of deposits and borrowings. (*Theory and practice of Banking*)

Nepal is situated under the trap of poverty. About 80% of the population depends on agriculture. About 94% of the population lives on rural areas. Meanwhile, poverty is originated due to lack of access to the resources, illiteracy and deprivation of rights, security and powerlessness. To cope with the poverty challenges, financial institutions were established extensively after the liberalization economy. Social scientists proved the best way to eradicate such poverty through co-operative movement.

Co-operatives are modified version of self-help and saving groups. Their major invisible aim is to improve socio-economic condition of the rural population. Basically, co-operatives are working under the legal framework of co-operative act. The major philosophy of the co-operatives is to work in rural/back-warded places,

where the opportunities exist. Institutional sustainability fully depends on pragmatic vision, effective human resource development; need based program, efficient organizational structure, proper co-ordination and effective implementation of strategic plan. Financial viability determines the status of collection rate, annual credit investment, non-performing assets, and operating cost of fund, depreciation and annual inflation rates.

Major activities of co-operatives in India are loan-flow on agriculture, cottage industries and marketing activities under the state co-operative societies Act. Total number of co-operatives recorded 93000 in India. (*Sudur Darpan Smarika 2060, Mr. Devkota*)

Most of the co-operatives operating in rural areas are anxious to expand their business and earn more profits rather than see whether a particular activity is consistent with the co-operative principles. They have collected a lot of public deposits recklessly and disbursed advance loans haphazardly, creating temporary membership with a minimum share amount, refundable at the time of loan repayment. Poor people don't have access to commercial banks. Economic transformation of landless, squatters', rural agriculturists and other villagers below the poverty line is possible only by joining hands among themselves based on co-operative principals. We need financial intermediaries which can serve a peasant, a small retailer, low paid employee, laborers, students and so on. In fact, some of the co-operatives have been working in this direction.

The co-operative model of micro finance in the oldest one already became successful in Europe and North America at the end of 19th century. A micro finance model should be adopted under the potentials and constraints of each local

environment. Department of co-operatives has to think over jointly as to the possibility of operating co-operative as financial intermediaries to promote their members interest. An inbuilt supervision system is developed so that co-operatives are providing financial services to their member with in the instructions, norms and regulations of NRB and Department of Co-operative. NRB regional offices and the District Co-operative offices should be strengthened equipped with suitable manpower and decentralized delegation, the appropriate authority and responsibility. *(NRB Samachar 14 Baishakh, 2058)*

A co-operative society can be registered to the concerned district co-operative office, Department of Co-operatives under the Ministry of Agriculture and Co-operatives, as per the co-operative Act 1992. It has five tiers such as a primary society, a single person union (with at least five societies), a district co-operative union, a central co-operative union and a national co-operative federation. A recent amendment on the Co-operative Act has made it compulsory to take prior approval of Nepal Rastra Bank to carry on limited banking transactions.

A co-operative society involves in saving and credit activity is called financial activities. Those financial co-operative could act as financial intermediaries to transfer urban surplus into deficit rural areas, which obviously could help reducing poverty. Therefore, rural financing model of co-operatives could become instrument for balanced growth of the economy. Before amendment on the Co-operative Act, deposits are accepted from each individual, groups & organizations but the loan are disbursed to co-operative members only. Now, the both transactions; accepting the deposits & loan disbursement are limited within the periphery of members. Loans are disbursed to the members on the purpose of

trade, agriculture livestock and poultry farming, cottage industries and other productive activities. By the study of Nepal Rastra Bank it is known that the financial co-operatives have disbursed loan to their members about Rs. 16 billions almost altogether, assuming an average loan size of Rs 15 thousands per borrower. It could be estimated that more than one million people get benefit from the services of financial co-operatives.

2.4 Challenges of the co-operatives

Main purpose of the Co-operative movement is to workout for the overall development of the rural farmers. The Co-operatives are facing no. of challenges some of them are –

- 1) Challenge of market competition and globalization.
- 2) Challenge of organization structure.
- 3) Challenge from members.
- 4) Challenge of capital and technology.
- 5) Challenge of professional management.

2.5 Suggestions for solution

To meet the above challenges following suggestion are forwarded-

- a) The government commitment is essential to pursues and protect the co-operative identity.
- b) The co-operative must be treated separately for taxation.
- c) Timely finance support and less interference in their management.

CHAPTER-3

RESEARCH METHODOLOGY

Methodology in the research is used to test the hypothesis and analysis as well as interprets the data processed. A concrete & practical method having conceptual background is discussed in this chapter. To achieve the desired objective, an appropriate research methodology has to be followed. The research methodology adopted for the present study has been outlined in this chapter that deals with research design, sources of data, tools and technique of analysis & variables used.

3.1 Research Design

The research design is the strategy of conducting research. The main function of research design is to explain how one will find answers to one's research problems. A plan of study, structure and strategy or blue print for study is called a research Design. A research design suggests how many observations to be made; which variables are active and which are attribute. It presents a series of guide post, to enable the researcher for progress in the right direction in order to achieve the goal. Basically there are two purposes of research design- (i) provide answers to research questions (ii) to control variances. The study follows the combination of historical, descriptive and case study as well as analytical research design.

It tries to explore the true financial picture of co-operative banking using the data of various financial years; as FY 050/51 to 061/62, 056/57 to 061/62, 057/58 to 060/61 & 050 to 063 where ever necessity, applicable and available.

3.2 Population and Sample Size

The word population refers not only to people but also to all the items or objects that have been chosen overall for the study. The study is related to the overall financial status of Navajeevan co-operatives Ltd. Dhangadhi. Far west is the backward region of Nepal. Moreover, Kailali is a deprived sector in the overall field of banking. Navajeevan co-operatives Ltd. is found to be alternative banking office in contrast of HMG ownership bank till 2057 B.S. But few joint venture banks are introduced in the economic environment since last six years. Navajeevan has grounded its root in Kailali and earned public confidence a lot.

The population for this study comprised of 13500 depositors, 1198 loonies, 5358 share holders and 42 operating employees of the co-operatives. In the context of job satisfaction, 22 employees of Dhangadhi branch are selected for sample.

3.3 Nature and Sources of Data

The data in the organization has been found to be prepared as per the banking rule for its own purpose. The organization had prepared the data format for the submission purpose of central bank, a regulatory unit and some of them were for the share holders and customers.

While collecting data each shareholder's record is duplicated from the share registered book, likewise deposit amount and details from the depositors' ledger. Similarly, loonies' details by loan ledger and relevant other ledgers also observed as per the requirement.

The raw data were collected from different sources as per the purpose of research. The research is based on secondary as well primary data. In the course of

study basically, secondary data have been used. Present study incorporates the views, opinions and clarification from officials wherever felt necessary.

3.4 Data collection and Processing Procedure

Data are the major parts for each type of study. All related data are gathered as per the objectives determined in this study. The most part of essential data has been collected by the secondary sources as well few data through primary sources.

3.4.1 Primary Sources

A questionnaire schedule was designed and administered to the employees' on the premises of job involvement. The questionnaire schedule has 13 items. Of these; 4 items were designed to obtain information related to motivation such as training, performance appraisal, promotion and reward. Similarly, other 4 items were designed regarded to their individual occupation and remaining 5 were jointly related to organization and employees.

3.4.2 Secondary sources

Various data are collected adopting secondary sources. The data availed sources are internal records, financial statements, balance sheets, annual reports and booklets of the organization. Data processing procedures is the converting process that of collected data into required form as per research objectives. By doing so, the data are managed more meaningful under stable to readers.

3.5 Data Analysis Tools

Statistical analysis/procedure is used in this research to see the current trend thereof loan, profit/loss, equity capital, debt, deposit, borrowings, income, expenditure, fixed asset, liquidity etc. To process raw data and analyze the

relationship; Karl Pearson's coefficient of correlation, percentage, F-test, T-test, risk return, mean, standard deviation, coefficient of variation, trend analysis, ratio analysis and cash flow are used. To find out whether there is relationship exists or not among various variables and to draw inferences and recommendations, data analysis tools are used. Secondary data is solely studied by the help of statistical methods/tools. Balance sheet profit and loss account and income statement of the companies have been used for the purpose of analysis. Few tools of analysis are-

3.5.1 Ratio Analysis

Ratio analysis is one of the techniques of financial analysis which shows the relationship between two interrelated accounting figures. It reflects the process of determining the significant operating and financial characteristics of a firm's accounting data and financial statement. The aim of such analysis is to determine the efficiency of a firm. It establishes the numerical or arithmetical relationship between the two figures. Financial ratio can be classified into the following categories.

1. Liquidity ratio.
2. Assets management or efficiency ratio.
3. Debt management or leverage ratio.
4. Profitability ratio.

1. Liquidity Ratio

➤ Current Ratio (CR)

$$CR = \frac{CA}{CL} \quad \text{Where, CA = Current Assets} \quad \text{and} \quad CL = \text{current Liabilities}$$

➤ Quick Ratio (QR)

$$QR/ \text{ acid test ratio} = \frac{CA - \text{Inventories}}{CL}$$

2. Asset management or efficiency Ratio

⇒ Fixed Assets Turnover Ratio

$$FATR = \frac{\text{Interest Income}}{\text{Fixed Assets}}$$

⇒ Total Assets Turnover Ratio

$$TATR = \frac{\text{Interest Income}}{\text{Total net assets}}$$

3. Debt Management or leverage Ratio

⇒ Debt to total Assets ratio = $\frac{\text{Total Debt}}{\text{Total Asset}}$

⇒ Debt to equity ratio = $\frac{\text{Debt to assets ratio}}{1 - \text{debt to asset ratio}}$

4. Profitability ratio

⇒ Gross Profit Margin = $\frac{G.P.}{\text{Interest Income}} \times 100$

⇒ Net Profit Margin = $\frac{NPAT}{\text{Interest Income}}$

5. Other Ratios

• Return on Assets = $\frac{NPAT}{\text{Total assets}}$

• Return on Equity = $\frac{NPAT - pd}{\text{No. of Share}}$

• Return on Capital Employed (ROCE) = $\frac{NPAT}{\text{Capital employed}}$

• Earning per share (EPS) = $\frac{NPAT - pd}{\text{No. of shares outstanding}}$

• Dividend Per Share DPS = $\frac{\text{Earning paid to shareholders}}{\text{No. of equity shares outstanding}}$

3.5.2 Trend analysis

Trend Analysis is a significant tool which indicates the changes and deviation in terms of financial statement to identify the controllable item of given period and future forecast also be made for ongoing concern. It is one of the useful tools in making a comparative study. It makes easy to identify the changes in an item or in a group of items over a period of time and to draw the conclusion there on. Trend analysis helps to analyze the facts of a firm which is useful from the view point of forecasting budget in future.

3.5.3 Cash flow analysis

Cash is a fuel for business enterprise to alive. Without cash no activities can take place. So, a business must have an optimal amount of cash. The analysis of events and transaction that affect the cash position of the organization is termed as cash flow analysis. As such the decision maker must pay attention to the cash position, events and transaction. It communicates those types of information which are not covered by income statements and balance sheet. The analysis of cash is possible through statements of cash flows. It is a statement which shows the inflows and outflows of cash and cash equivalents during the year. *Nepal Company Act 2053* also made mandatory to present cash flows statements along with balance sheet and income statements.

3.5.4 Arithmetic Mean (\bar{X})

$$\bar{x} = \frac{(x_1 + x_2 + \dots + x_n)}{n}$$

Where,

x= variables

n= no. of series

3.5.5 Standard Deviation

$$\text{S.d. } (\sigma) = \sqrt{\frac{\sum x^2}{N} - \left(\frac{\sum x}{N}\right)^2} \quad \text{or} \quad \sqrt{\frac{\sum fx(x - \bar{x})^2}{N}}$$

Where,

S.d (σ) = standard deviation

X = 'x' variables

\bar{x} = mean value of 'X' series

3.5.6 Coefficient of variance

$$\text{C.V.} = \frac{\text{s.d.}}{\text{mean}} \times 100$$

Where,

C.V. = coefficient of variance

S.d. = Standard deviation

\bar{x} = mean of given variables

3.5.7 Students 't'- test

$$t = \frac{\bar{x}_1 - \bar{x}_2}{\sqrt{S^2 \left(\frac{1}{n_1} + \frac{1}{n_2} \right)}}$$

Where, mean value = \bar{x}_1 & \bar{x}_2

$$\text{d.f.} = (n_1 + n_2) - 2$$

$$S^2 = \left[\frac{(x_1 - \bar{x}_1)^2 + (x_2 - \bar{x}_2)^2}{\sqrt{n_1 + n_2 - 2}} \right]$$

3.5.8 'F'- test

$$F = \frac{\text{Mean Sum of squares between samples}}{\text{Mean Sum of Squares within Samples}}$$

3.5.9 Corelation

$$r = \frac{\sum XY - \sum X \cdot \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \cdot \sqrt{N \sum Y^2 - (\sum Y)^2}} \quad \text{Where, } r = \text{correlation coefficient}$$

$$\sqrt{N \sum X^2 - (\sum X)^2} \cdot \sqrt{N \sum Y^2 - (\sum Y)^2}$$

N= number of years, X= Independent Variable & Y= Dependent Variable

CHAPTER-4

PRESENTATION AND ANALYSIS OF DATA

Being specific upon the objectives determined from various required sources; data are presented in the form of table, graph and figures. While analyzing data, different financial and statistical tools, processing devices has been used.

4.1. (a) Liquidity Position

Liquidity means hereby cash or the cash equivalent assets kept in any business enterprise or in a bank or in an institution for the operation of daily transaction. In other words, liquidity possesses the paying capacity of a bank to the customer in case of cheque or bills drawn on him.

As per the Sec.46 of NRB Act 2058, the overall co-operative banking organization has to maintain seven percent compulsory liquidity; opening bank account in NRB, cash in vault, current deposit account in commercial bank, investment in govt. bonds, purchase of NRB debentures and the cash account in other authorized financial institutions.

For the sound health of business, optimal level of liquidity should be determined (viz. neither idle nor excess). That is possible only through the past trend, business size, transaction volume level; estimation and detailed cash analysis. A real liquidity situation of the organization for the different years is presented in the following table.

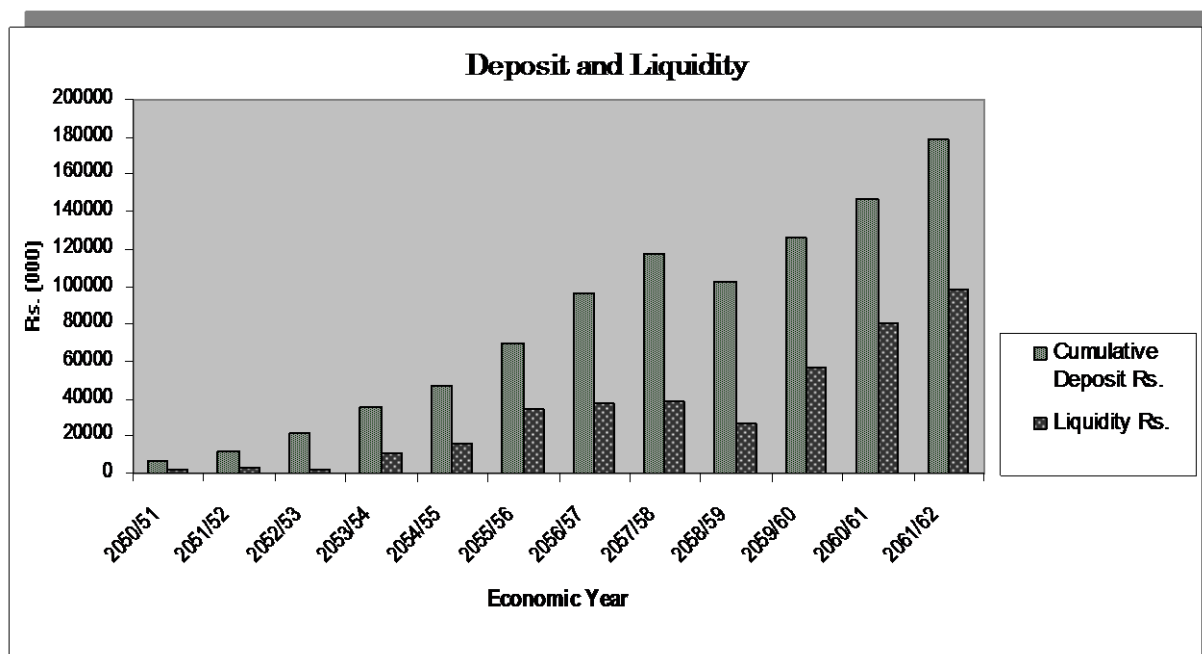
Table 4 .1. (a)

Liquidity Condition

<i>Financial Year</i>	<i>Year End Cumulative Deposit Rs.(000)</i>	<i>Liquidity Rs.('000)</i>
2050/51	6031	1709
2051/52	12154	3176
2052/53	20944	4256
2053/54	35817	10888
2054/55	46801	16166
2055/56	69192	33854
2056/57	96025	37057
2057/58	117914	38392
2058/59	103140	26386
2059/60	126468	57150
2060/61	146299	80560
2061/62	178886	98072

(Sources: Annual Report of the organization)

Figure 4.1. (a)



As shown in the table and graph above, liquidity over different years seemed to be sufficient enough as per the rule of NRB. During the year 2059/60 liquidity

reached to 45%; where 38% is laying idle. Liquidity is so rapidly increasing on account of low demand for loan. Nearly, eight times or 48% excess liquidity kept idle in the organization within the F.Y. 060/61 than the standard of 7%. Liquidity and cumulative deposit are growing in the positive order.

4.1. (b) Operating and financial self sufficiency

Financial self sufficiency (FSS) includes the capacity of bearing total expenditure as well as imputed cost of capital out of the total revenue of the organization. The hundred percent FSS is the break even position, less than hundred percent is the financially loss situation and more than hundred percent FSS describes the financially strong and profitable organization. Where as, the ratio between permanent operating income and total expenditure deals with the operating self sufficiency.

Table 4.1. (b)

Operating Self Sufficiency & Financial Self Sufficiency Position

<i>S.N.</i>	<i>Heading Details</i>	<i>Amount Rs.('000)</i>	<i>Imputed cost of capital (ICC)</i>	<i>OSS 2060 Ashad</i>	<i>FSS 2060 Ashad</i>
1.	<i>Operating income</i>	12426	754.20	67%	64.30%
2.	<i>Total expenditure</i>	18570			
3.	<i>Equity</i>	15771			
4.	<i>Fixed assets</i>	687			

(Sources: Spot-Supervision Report of NRB, 2061)

Where,
$$\text{OSS} = \frac{\text{Operating income}}{\text{Total expenses}}$$

$$= \frac{12426}{18570}$$

$$= 66.9 \cong 70\%$$

$$\begin{aligned}
\text{Similarly, FSS} &= \frac{\text{Operating income}}{\text{Total expenses} + \text{ICC}} \\
&= \frac{12426}{18570 + 754.20} \\
&= 64.3
\end{aligned}$$

The Standard OSS for the organization is 150%, while calculated OSS is 67%; this is lesser than the standard value. It means the firm is running in weaker position. FSS 64.30% also indicates the lower value than BEP.

4.1. (c) Ratio Analysis

Liquidity ratio reflects the solvency power of the company in terms of meeting short term liabilities. A high quality ratio shows the financial strength of the company. Calculations of different types of liquidity ratio are as follows.

i) Current Ratio

Current ratio measures the short term current financial liquidity as well as short term solvency power of the organization. It is most widely used and accepted tools. It shows whether the claims made by short term creditors can be covered with short term assets into cash within a year or not. It indicates two rupees of current assets available for each rupee of current liability. In short, the current ratio measures the short term solvency as well relationship between current assets and current liabilities. It is known that, a single ratio in itself doesn't result favorable or unfavorable condition of the company. As a conventional rule, a CR of 2:1 or more is considered satisfactory which may vary as per the nature of business, since the study is related to the co-operative banking organization.

Table 4.1.C. (i)

Current Ratio

<i>Financial Year</i>	<i>Current Assets Rs ('000)</i>	<i>Current Liabilities Rs ('000)</i>	<i>Ratio = CA/CL (times)</i>
2056/57	117734	81561	1.44
2057/58	147507	102254	1.44
2058/59	138710	88533	1.57
2059/60	156368	117935	1.33
2060/61	180895	133524	1.35
2061/62	209727	159086	1.32

(Sources: Appendix II & Annual Reports)

The above table clearly shows the CA, CL position of the co-operative banking. The current ratio for the financial year 058/59 is highest of the six years. Current ratios for the year 2056/057 to 2058/059 are in increasing trend; although, the ratios are lower than the theoretical norms. But the current ratios for 2059/60 and 061/62 are in decreasing trend i.e. 1.33 and 1.32. To some extent, its ratio is consistent but does not meet the requirement either. The range of current ratio at Navajeevan Co-operatives Ltd. spans from 1.32 to 1.57 times with an average of 1.41. Which is almost equals with an average. To some extent co-operative is capable of meeting its current liabilities by current assets.

The study is based on overall financial status of the Navajeevan Co-operatives Ltd. Hence, the inventories are given less important in the banking organization. In a service rendering business, current ratios are used for analyzing purpose only.

ii) Cash and Bank Balance to Saving Deposit Ratio

The ratio indicates the immediate fund requirement to meet their current margin-calls and saving deposits. Generally, a high cash and bank to saving deposit ratio reveals the greater capability to covering their deposits and vice versa. A higher ratio would be advantageous. However, too high ratio is disadvantageous as capital is tied-up in the unproductive sectors i.e. cash and bank balance. The ratio can be computed as-

$$\text{Cash and bank balance to deposit ratio} = \frac{\text{Cash and Bank balance}}{\text{Saving Deposits}}$$

In the above case, cash and bank balance includes cash in vault (i.e. NC and IC) and bank balances. Likewise, deposits include the saving deposit and daily deposits only.

Table 4.1.C (ii)

Cash and Bank balance to Deposit ratio

<i>Financial Year</i>	<i>Cash & bank bal. Rs ('000)</i>	<i>Saving Deposits Rs ('000)</i>	<i>Ratio = 2/3 (%)</i>
<i>2056/57</i>	<i>37057</i>	<i>75049</i>	<i>49.38</i>
<i>2057/58</i>	<i>38392</i>	<i>89099</i>	<i>43.09</i>
<i>2058/59</i>	<i>26386</i>	<i>72234</i>	<i>36.65</i>
<i>2059/60</i>	<i>57150</i>	<i>94627</i>	<i>60.40</i>
<i>2060/61</i>	<i>80560</i>	<i>111710</i>	<i>72.12</i>
<i>2061/62</i>	<i>98072</i>	<i>140157</i>	<i>69.97</i>

(Sources: Annual Report of the organization)

Above calculation indicates that the cash and bank balance to saving deposit ratio in the FY 060/61 is 72%, which is very high ratio. Excess idle cash carry the

high cost of capital. As per the NRB regulatory notice, every co-operative banking organization has to maintain at least 7% liquidity which involves total deposit and borrowings. Where as, 36% and more cash reserve ratio in comparison to saving deposit is value less. However, it should be consider that the high investment in more productive sectors is profitable i.e. government securities, bonds, treasury bills and advancements.

iii) Operating Profit margin to Interest Earned Ratio

Co-operative organization introduced as a business organization. The sole objective of any company is to achieve more and more profit from the business. Investors invest their wealth in risk for the reasonable return. The surplus is most essential for firm's survival and future growth. It is one of the indications of firm's overall efficiency measuring rod. Besides the management of organization, owners are also interested in the profit/losses. However, even against the social motive, co-operative must earn sufficient surplus for the expansion & growth. It is regarded as the most crucial element for the long run survival.

Operating profit margin measures the efficiency and operation of the organization. Operating profit comes after deducting the amount of operating expenses from total income. The operating expense is a sum of interest paid, management expenses, depreciation and other expenses relating to operation of the organization. Similarly, the total income comprises interest earned on loan and advances, dividend from shares investment and miscellaneous receipts. Hence, operating profit margin is not an actual realized profit. It is calculated dividing operating profit by interest earned (*here interest earned is considered as sales*). A high operating profit margin is a sing of better management as it implies the relatively lower operating expenditure incurred during the period and vs.

Table 4.1.C (iii)

Operating Profit margin to interest earned Ratio

<i>Financial Year</i>	<i>Operating Profit Rs ('000)</i>	<i>Interest Earned Rs ('000)</i>	<i>Ratio = 2/3 (%)</i>
2056/57	3190	10194	31.30
2057/58	2986	16256	18.37
2058/59	642	16034	4.01
2059/60	2433	12423	19.59
2060/61	761	15380	4.95
2061/62	2566	15689	16.36

(Sources: Annual Report of the organization)

From the above table, operating profit to interest earned ratio seemed in fluctuating trend. In the year 058/59, the ratio is much lower i.e. 4.01%. Similarly, the ratio for the year 2060/61 is also considered less satisfactory. Either management must concern their attention towards increasing income or lower operating expenses. In comparison of the previous year, the ratio in the year 060/61 decreased by 75%. The high profit ratio is 31.30% where as, 4.01% is least profit ratio. The average operating profit margin ratio is 15.76% and the actual calculated ratios are much more fluctuated from the average.

iv) Return on Assets (ROA)

Return on assets is one of the significant tools for measuring profitability of all the financial resources utilized by the organization. The ratio is calculated to reveal the overall operating efficiency of a firm. It is measured in terms of relationship between net profit and total assets. Higher ROA is the indication of satisfactory level and vice versa. In the present study the ratio is calculated as follows.

$$\text{Return on assets (ROA)} = \frac{\text{NPAT}}{\text{TA}}$$

Where, NPAT = Net profit after tax

TA = Total Assets

Table 4.1.C (iv)

Return on Assets

<i>Financial Year</i>	<i>NPAT Rs ('000)</i>	<i>Total Assets Rs ('000)</i>	<i>Ratio = 2/3 (%)</i>
2056/57	3190	124811	2.56
2057/58	1966	154806	1.27
2058/59	301	143975	0.21
2059/60	1630	195093	0.84
2060/61	521	228602	0.23
2061/62	1758	231383	0.76

(Sources: Annual Report of the organization)

ROA is calculated in the above table. The table clearly indicates the Return on Assets ratio of the co-operatives. The total assets have been decreased in the year 2058/59. In the same ways, NPAT is found highly satisfactory in the year 2056/57. Return on Assets for 4 financial years i.e. 2058/59 to 2061/62 are unsatisfactory.

Lower return on asset is the indication of the lower efficiency in utilizing its resources. The average ROA is 0.98 for the period, while the return on assets has been decreasing over the study period. The management has to take caution in this regard.

v) Return on Net Worth

This is one of the important ratios, to judge, whether the organization has earned a satisfactory return on its equity. How well the resources of a firm have been used, to earn profit, using owners equity is indicated by return on net worth ratio. Thus, the higher the ratio, the more advantageous for the shareholders. This represents the sound management and efficient mobilization of the owner's equity, sound mix of capital structure, operating efficiency and vice versa. Net worth is the sum of paid-up capital, reserve funds, premium on shares and other reserves which may distribute to the shareholders. The return on net worth is computed using the formula below.

$$\text{Return on net worth} = \frac{NPAT}{\text{Net Worth}} \times 100$$

Table 4.1.C (v)

Return on net worth

<i>Financial Year</i>	<i>NPAT Rs ('000)</i>	<i>Net worth Rs ('000)</i>	<i>Ratio = 2/3 (%)</i>
2056/57	3190	16751	19.04
2057/58	1966	18489	10.63
2058/59	301	16477	1.82
2059/60	1630	17192	9.48
2060/61	521	17664	2.59
2061/62	1758	19036	9.23

(Sources: Annual Report of the organization)

Table 4.1.C. (v) shows the return on net worth of the co-operatives for different financial years. The return on net worth of 4 out of 6 financial years is about 10% and above. Though the ratio in FY 2058/59 found very low i.e.1.82%. It is because of decrease in profits. Internal conflict also evoked bad impact in the

national economy. The average return on net worth is 8.80%. The ratios of different years are much fluctuated from the average ratio. To the FY 056/57 to 057/58 mobilization of owner's equity seemed better, but after that, management being failure on generating more profits to equity holders.

This ratio has a great deal importance for the present & potential shareholders and for the management also. Ultimately, it directs the sure way for maximizing shareholders wealth and effect on the market value. With the help of this ratio, we can conclude that the management of the co-operative found failure in term of returns i.e. NPAT.

vi) Return on Capital Employed (ROCE)

It is also a significant tool for measuring the profitability of the organization. It tests the profitability related to the sources of long term funds. ROCE reflects how well the fund is utilized by the management which is supplied through creditors and owners. The higher ratio, higher the efficiency of capital employed and VS. The capital employed is a sum of share capital, reserve funds and long term debt. It can also be calculated by adding fixed assets on current assets and deducting current liabilities. The formula is as-

$$\text{Return on Capital Employed} = \frac{NPAT}{\text{Capital Employed}} \times 100$$

Where, NPAT = Net Profit after tax

Capital Employed = Equity share capital + General reserve + Retained earning + Capital reserve + P/L account + Long term loans (if any) .

Table 4.1.C. (vi)

Return on capital employed

<i>Financial Year</i>	<i>NPAT Rs ('000)</i>	<i>Capital Employed Rs ('000)</i>	<i>Ratio = 2/3 (%)</i>
2056/57	3190	16751	19.04
2057/58	1966	18139	10.84
2058/59	301	16500	1.82
2059/60	1630	17193	9.48
2060/61	521	17665	2.95
2061/62	1758	19036	9.24

(Sources: Annual Report of the organization)

The return on capital employed has been calculated in the table no. 4.1.C.(vi). Over the study period it has been clearly shown that the return on capital employed is in decreasing trend as well as fluctuating order. From the analysis, it can be said that, the management couldn't employ capital properly.

Vii) Net Profit Margin Ratio

It measures the overall profitability of the organization by establishing relationship between net profit and sales. Here, sales are treated as interest earned. The relation between net profit and interest earned indicates the managing ability of the team. Margin ratio not only discloses the cost of operating but also forgoes a reasonable compensation margin to the owners for their capital at risk. It is calculated dividing net profit after tax by interest earned.

$$\text{Net Profit Margin} = \frac{\text{NPAT}}{\text{Interest Earned}} \times 100$$

This ratio reveals margin of compensation left to the owners for their capital after all expenses have been met. A high net profit margin is a signal of effective and efficient operation of the organization. Increase in interest earned and decrease in operating cost signify the investor's reasonable profit.

Table 4.1.C.(vii)

Net profit margin ratio

<i>Financial Year</i>	<i>NPAT Rs ('000)</i>	<i>Interest Earned Rs ('000)</i>	<i>Ratio = 2/3 (%)</i>
2056/57	3190	10194	31.30
2057/58	1966	16256	12.09
2058/59	301	16034	1.88
2059/60	1630	12426	13.12
2060/61	521	15380	3.39
2061/62	1758	15689	11.21

(Sources: Annual Report of the organization)

The lowest calculated ratio starts from 1.88% and reached up to 31.30%. The peak ratio is 31.30% & favorable also. The ratios on FY 058/59 & 060/61 are always lower. The situation is slowly improving in the year 061/62.

viii) Capital Adequacy ratio

To measure the strength of capital structure & adequacy of the capital, the capital adequacy ratio is used. This ratio is more meaningful for the co-operatives because of the banking sector & service organization. A high or low capital adequacy ratio is undesirable. Capital adequacy ratio is computed by using the formula below.

$$\text{Capital adequacy ratio} = \frac{\text{Capital Fund}}{\text{Total Deposits}} \times 100$$

Where,

Capital Fund = General reserves+ paid up capital+ undistributed profit

Total Deposits = Fixed deposit + saving deposits

Table 4.1.C. (viii)

Capital adequacy ratio

<i>Financial Year</i>	<i>Capital Fund Rs ('000)</i>	<i>Total Deposits Rs ('000)</i>	<i>Ratio = 2/3 (%)</i>
2056/57	16751	96025	17.44
2057/58	18139	117914	15.38
2058/59	16500	103140	16.00
2059/60	17193	126168	13.63
2060/61	17665	146299	12.07
2061/62	19036	178886	10.64

(Sources: Annual Report of the organization)

The average capital adequacy ratio of the co-operative is 14.19%. In the year 2056/57, the ratio is 17.44% and 10.64% in the year 061/62. However, the capital fund is nearly sufficient in comparison to the deposits. Further more, the higher and lower capital adequacy is unfavorable in terms of lower returns and lower solvency. Anyway, an appropriate capital adequacy is controversial matter. In general, it can be concluded that the capital adequacy of Navajeevan Co-operatives Ltd. is appropriate.

ix) Interest Income to Total Income Ratio

Income analysis is the most important overall indicator of the financial organization. From the profit loss analysis of the organization, obviously we see the interest income, nearly a sole part of total income. Income from interest is the root source for co-operative. Disbursement of loan and advances are the interest

generating sources. Due to the banking organization it accepts deposit and sanctions loan and advances. More over, miscellaneous receipts and share dividend are other sources of income. The contribution of interest income to total income is shown in the table below.

Table 4.1.C. (ix)

Interest income to total income ratio

<i>Financial Year</i>	<i>Interest Income Rs ('000)</i>	<i>Total Incomes Rs ('000)</i>	<i>Ratio = 2/3 (%)</i>
2056/57	10194	13091	77.87
2057/58	16256	17064	95.26
2058/59	16034	16669	96.19
2059/60	12423	21005	59.14
2060/61	15380	21513	71.49
2061/62	15689	23364	67.15

(Sources: Annual Report of the organization)

From the table above, it comes to know that the contribution of interest income to total income is 78% in average. So, in short, we can say that the income from interest is an integral part, which fulfills the overall expenses requirement of the organization. Interest income can be described as an ecosystem- i.e. income depends upon safe lending, lending depends upon the loan disbursement, loan and advances depends upon the deposit collection, deposits depend on the public relation/image of the organization. Where as relation depends upon the motivated team of the employees.

x) Interest Expenses to Total Income

An interest expense occupies more portions of the total expenses. Interest expenses include the interest paid on deposit collected. Banking organization accepts deposit from the individual/institutional depositors and pays a certain percent interest on deposit. From the collected deposit, investment is made & loan is also disbursed in different sectors under the prescribed topics. Ratio is shown in the table below.

Table 4.1.C. (x)

Interest expenses to total income ratio

<i>Financial Year</i>	<i>Interest Expenses Rs ('000)</i>	<i>Total Incomes Rs ('000)</i>	<i>Ratio = 2/3 (%)</i>
<i>2056/57</i>	<i>5917</i>	<i>13091</i>	<i>45.20</i>
<i>2057/58</i>	<i>8108</i>	<i>17064</i>	<i>47.52</i>
<i>2058/59</i>	<i>8730</i>	<i>16669</i>	<i>52.37</i>
<i>2059/60</i>	<i>8753</i>	<i>21005</i>	<i>41.67</i>
<i>2060/61</i>	<i>8992</i>	<i>21513</i>	<i>41.80</i>
<i>2061/62</i>	<i>9688</i>	<i>23364</i>	<i>41.47</i>

(Sources: Annual Report of the organization)

Interest expenses on deposit collected are the major expenses of the co-operatives. A huge amount of the total income i.e. 45% on average spent on the interest expenses. In the table above, 52.37% interest expenses seemed paid, out of the total income in the FY 2058/59. The expenses are in the increasing trend. 59lacs is minimum expenses while 96.88lacs is the peak expenditure over the study period. Further more, the total income has lower increment than the interest paid on deposits.

xi) Employee Expenses to Total Income

In the absence of human resources, existence of any organization may not be possible. Obviously, success and failure of the organization depends upon its operating staff. Committed, loyal and energetic employees can take the organization in prosperous way. On the existing competitive environment, an organization may earn a reasonable profit by providing ultra-high services to its all stakeholders. Employee expenses includes salary and allowances, provident fund, medical expenses, Dashain expenses, dress allowance, overtime work, T.A.D.A., salary against home leave and bonus. Calculation are shown as below-

Table 4.1.C. (xi)

Employee expenses to total income ratio

<i>Financial Year</i>	<i>Employee Expenses Rs ('000)</i>	<i>Total Incomes Rs ('000)</i>	<i>Ratio = 2/3 (%)</i>
2056/57	1899	13091	14.51
2057/58	3291	17064	19.29
2058/59	3036	16669	18.21
2059/60	3283	21005	15.63
2060/61	3228	21513	15.00
2061/62	3889	23364	16.65

(Sources: Annual Report of the organization)

From the table above, it is clear that the one fourth part of total income is spent on employee expenses. The average ratio of employee expenses to total income is 16.55%. The expenses are found to be greater because of the over staffing & low remuneration. If a fully computerized system is adopted instead of manual system and staffing are made proper than positive impact on entire expenditure is possible. Over six year's period, the deviation on employee expenditure is not so insignificant.

xii) Office Expenses to Total Income

For the smooth operation of any organization, office expenses are unavoidable. It includes all types of office related expenses, such as: house rent, water and electricity, repairs and maintenance, insurance, postage and telephone, stationery, books and newspaper, advertisement, ceremony, transportation, closing expenses, supervision, auditing and legal expenses etc. The detail is presented in the table below-

Table 4.1.C (xii)

Office expenses to total income ratio

<i>Financial Year</i>	<i>Office Expenses Rs ('000)</i>	<i>Total Incomes Rs ('000)</i>	<i>Ratio = 2/3 (%)</i>
<i>2056/57</i>	<i>1123</i>	<i>13091</i>	<i>8.58</i>
<i>2057/58</i>	<i>1127</i>	<i>17064</i>	<i>6.61</i>
<i>2058/59</i>	<i>1323</i>	<i>16669</i>	<i>7.94</i>
<i>2059/60</i>	<i>1224</i>	<i>21005</i>	<i>5.83</i>
<i>2060/61</i>	<i>1394</i>	<i>21513</i>	<i>6.48</i>
<i>2061/62</i>	<i>1636</i>	<i>23364</i>	<i>7.00</i>

(Sources: Annual Report of the organization)

By the table 4.1.C (xii), the ratio of office expenses to total income seemed 7.07% on average. About 10% portion of the total income had meet the office overhead of the organization. No more deviation is found over the office expenses since FY 2056/57 to 2061/62. The lowest office exp. is 5.83% on the FY 2059/60 whereas, 8.58 is the highest ratio. The ratios are counted favorable. Office expenditure may reduce at an extent, through the economies of scale.

4.1. (d) Assets Management

Assets management ratio measures the effectiveness with which a firm is utilizing its asset to generate revenue. A part of collected fund is invested in procuring the various kinds of assets. The better management of assets turnover is the better indication of its financial performance.

i) Fixed Asset Turnover Ratio (FATR)

Fixed assets turnover ratio helps the researcher to evaluate its financial position, use of the assets, depreciable value and amount of assets. The ratio measures how effectively the fixed assets are utilized in generating total interest income. The higher ratio shows the most utilization of assets and lower ratio shows lower utilization. The relationship between fixed assets and interest earned is displayed by the formula in the table below.

$$\text{Fixed assets turnover ratio} = \frac{\text{Interest earned}}{\text{Net Fixed assets}} \dots \text{times}$$

Table 4.1.d. (i)

Fixed assets turnover ratio

<i>Financial Year</i>	<i>Interest Earned Rs ('000)</i>	<i>Fixed Assets Rs ('000)</i>	<i>Ratio (‘times)</i>
<i>2056/57</i>	<i>10194</i>	<i>630</i>	<i>16.18</i>
<i>2057/58</i>	<i>16256</i>	<i>823</i>	<i>19.75</i>
<i>2058/59</i>	<i>16034</i>	<i>903</i>	<i>17.76</i>
<i>2059/60</i>	<i>12423</i>	<i>687</i>	<i>18.08</i>
<i>2060/61</i>	<i>15380</i>	<i>3209</i>	<i>4.79</i>
<i>2061/62</i>	<i>15689</i>	<i>3189</i>	<i>4.92</i>

(Sources: Annual Report of the organization)

The fixed assets turnover ratio is clearly expressed in the table 4.1.d. (i). As per the table above, fixed asset is approximately one fifth of the interest income, over the year 2060/61 and 2061/62. It is very insignificant ratio. Both FATR are the loss indicator for the organization. From the FY 056/57 to 059/60, the FATR is very sound. But, on the last two years assets are increased, nearly by 5 times; where as, the increase on interest income is 1.24 times only. By the year 2060/61, the management being failure on utilizing its fixed asset for generating sufficient revenues. Non banking assets are not included under the reference of fixed assets.

ii) Total Assets Turnover Ratio (TATR)

Assets are purchased for generating income. In order to maximize firm's revenue, the management must have managed its available assets effectively. The TATR measures the utilization of all the firm's assets. In other words, total assets turnover ratio is the relationship between total assets and interest earned.

$$\text{Total assets turnover ratio} = \frac{\text{Interest earned}}{\text{Total assets}} \dots \text{times}$$

Where,

$$\text{Total assets} = (\text{Total amount of B/S Assets side} - \text{Fictitious assets})$$

Table 4.1.d. (ii)
Total assets turnover ratio

<i>Financial Year</i>	<i>Interest Earned Rs ('000)</i>	<i>Total Assets Rs ('000)</i>	<i>Ratio (times)</i>
2056/57	10194	124811	0.08
2057/58	16256	154806	0.11
2058/59	16034	143975	0.11
2059/60	12423	195093	0.06
2060/061	15380	228602	0.07
2061/62	15689	231383	0.07

(Sources: Annual Report of the organization)

Total assets turnover ratio of the co-operatives is shown in the table 4.1.d. (ii). The total assets turnover ratio is 0.08 times on an average. Which means every 1 rupee of asset is engaged on generating 0.08 rupee of interest income. The ratio is inconsistent. In the FY 2059/60, the ratio is decreased by 45% than the pervious year. Similarly, the ratio on the FY 2060/61 is increased in comparison to the year 2059/60. In conclusion, the ratio is not so favorable.

iii) Loan and Advances to Total Deposit Ratio

The ratio measures the percentage mobilization of deposits to loans and advances. It shows the capacity of utilizing outsiders fund in the form of extending loans and advances. Total deposits imply the amount collected from its depositors and loan and advances implies the total loan disbursed to employees & outsiders. In general, unitary ratio indicates the overall utilization of funds, less ratio the lower utilization and vice versa. It is calculated dividing total loans and advances by total deposits.

Table 4.1.d. (iii)

Loan and advances to total deposits ratio

<i>Financial Year</i>	<i>Loan & advances Rs ('000)</i>	<i>Total deposits Rs ('000)</i>	<i>Ratio (%)</i>
2056/57	77839	96025	81.06
2057/58	104175	117914	88.35
2058/59	103069	103140	99.93
2059/60	91376	126468	72.25
2060/61	92370	146299	63.14
2061/62	103904	178886	58.08

(Sources: Annual Report of the organization)

In the FY 058/59, the loan and advances to total deposit ratio is about hundred percent. It means the full utilization of the deposit or mobilizes almost all of its deposits but less liquidity situation occurred. The ratios are gradually decreased thereafter. Loans are less disbursed on the subsequent years. Loans are less disbursed due to the home war, conflict, strike, *Nepal band & Chakka jam*. It is the country wise problem, through which the business and services are badly affected.

4.1. (e) Trend of profit & loss

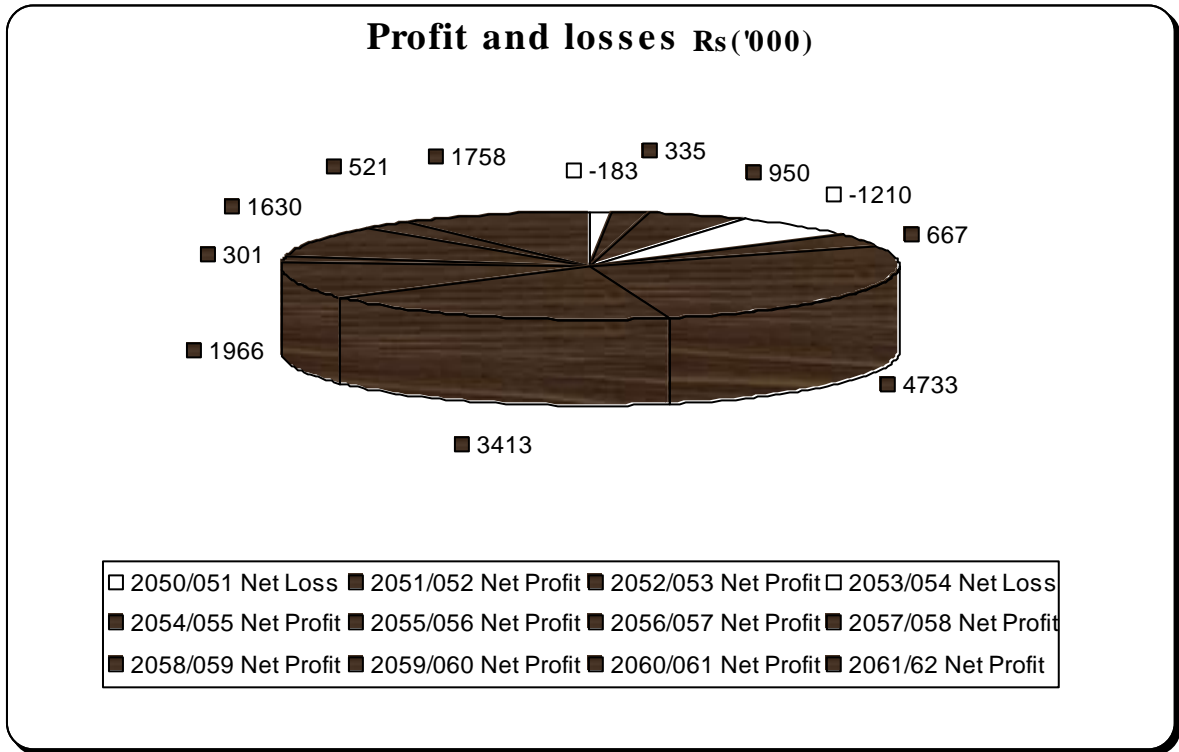
Profits are considered as a reward for risk bearing & risk is an unavoidable factor associated with every business firm. In general, total expenditure is deducted from the total revenues for profit calculations. The surplus is known as profit and deficit is loss. The profit loss situation of Navajeevan Co-operatives Ltd. since its establishment to FY 2061/62 is pictureized below.

Table 4 .1 (e)
Trend of profit and loss

<i>Financial Year</i>	<i>Condition</i>	<i>Amount Rs. ('000)</i>
2050/51	<i>Net Loss</i>	-183
2051/52	<i>Net Profit</i>	335
2052/53	<i>Net Profit</i>	950
2053/54	<i>Net Loss</i>	-1210
2054/55	<i>Net Profit</i>	667
2055/56	<i>Net Profit</i>	4733
2056/57	<i>Net Profit</i>	3413
2057/58	<i>Net Profit</i>	1966
2058/59	<i>Net Profit</i>	301
2059/60	<i>Net Profit</i>	1630
2060/61	<i>Net Profit</i>	521
2061/62	<i>Net Profit</i>	1758

(Sources: Annual Report of the organization)

Figure 4.1. (e)



The total cumulative profit of the organization until its 12th years period is Rs. 16274 thousand; whereas the total losses Rs.1393 thousand. The organization is able to earn a maximum profit of Rs. 47.33 lack in the FY 2055/56. Similarly, Rs. 12.10 lacks a maximum loss in the year 2053/54. Tax liability @ 30% is charged on the profit of the co-operatives since FY 2057/58. It has earned least profit in the year 2058/59 and goes on profit for eight years.

4.2. (a) Deposit Growth Rate

Few types of account are forwarded for the purpose of deposit collection. Mainly, interest bearing accounts are proposed to attract the public/institutional deposits. Because of the co-operative banking organization, large volumes of customers are pertained but low amount of transaction is handled. The amount of

public deposit is larger rather than the institutional deposits. Total deposit is categorized into two ways i.e. saving deposit and fixed deposit.

Currently, the accounts in operation are-

- General saving account.
- Domestic saving account.
- Special saving account.
- Regular saving account.
- Lakhapati saving scheme.
- Ordinary fix deposit.
- Money doubling fixed deposit.
- Niyamit Masik Aaya scheme.

The rate of growth is one of the most essential, progress measuring rods which are calculated as under.

Table 4 .2 (a)

Deposit collected and growth

<i>Financial Year</i>	<i>Cumulative Rs ('000)</i>	<i>Yearly deposit Rs ('000)</i>	<i>Growth (%)</i>
2050/51	6031	6031	0.00
2051/52	12154	6123	101.52
2052/53	20944	8790	72.32
2053/54	35817	14873	71.01
2054/55	46801	10984	30.67
2055/56	69192	22391	47.84
2056/57	96025	26833	38.78
2057/58	117914	21889	22.79
2058/59	103140*	-14774*	-12.53*
2059/60	126468	23328	22.62
2060/61	146299	19831	15.68
2061/62	178886	32587	22.27

**Bomb blasted at ADB/N (near covered hall) causes the deposit withdrawn.*

(Sources: Annual Report of the organization)

The formula used for growth rate calculation is-

$$\text{Deposit growth} = \frac{\text{Deposit of this year} - \text{Deposit of last year}}{\text{Deposit of last year}} \times 100$$

Where,

Deposit of this year = Cumulative deposit of the current financial year

Deposit of last year = Cumulative deposit of the previous financial year

Figure 4.2.(a).1

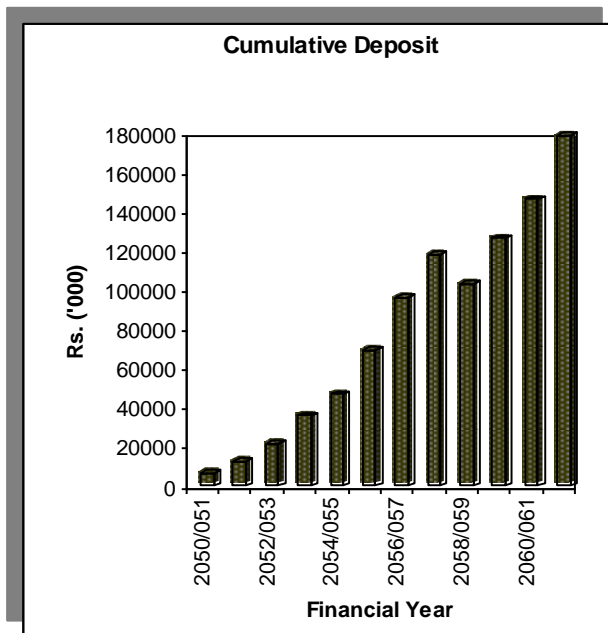
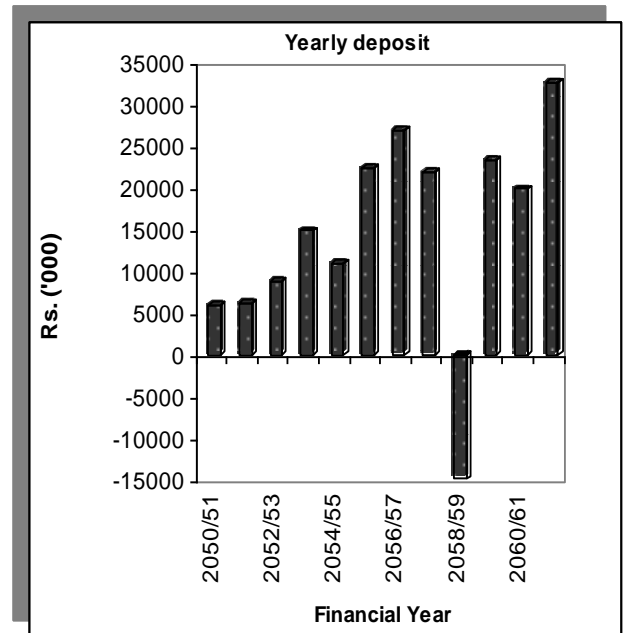


Figure 4.2.(a).2



As indicated in the table and graph above, the highest deposit growth seemed in the FY 2051/52 i.e. 101.52%. Similarly, downward bar diagram of the figure 4.2. (a).2 shows the deposit withdrawn pattern during the year 2058/59 by Rs. 14774 thousand; which might affect the loan disbursement budget of that year & also takes a long period to recover. Although, the bomb blasted inside the Agriculture Bank Dhangadhi might have been an external environment factor; though, it became a dependent variable for Navajeevan Co-operatives Ltd. A crisis occurred, liquidity unexpectedly reduced, deposit collection are blocked in the FY 2058/59. The growth rates are more fluctuated. Rs.178886 thousand is the highest deposit within twelve years period.

4.2. (b) Impact of Interest rate on Deposit

Interest rates are true indicator for deposit collection and loan disbursement. Attracting deposit through higher interest rate is one of the banking functions. Mainly, the idle money of the public from deprived sector is deposited in the banking institution for the purpose of earning interest. Impact of interest rates on deposit is presented below.

Table 4.2. (b)

Deposit with interest rate

<i>Financial Year</i>	<i>Yearly deposit Rs. ('000)</i>	<i>Ave. Interest rate (%)</i>
2050/51	6031	11.32
2051/52	6123	11.32
2052/53	8790	11.32
2053/54	14873	11.32
2054/55	10984	10.78
2055/56	22391	10.78
2056/57	26833	9.99
2057/58	21889	9.99
2058/59	-14774	9.71
2059/60	23328	9.47
2060/61	19831	6.50
2061/62	32587	6.15
<i>Total deposit</i>	178886	

(Sources: Annual Report of the organization)

The average interest rate on deposit remained constant up to four financial years. The highest interest rate is 11.32%. Deposit growth during these years is very high. Interest rate is treated as an important variable for the financial institutions. Illiterate, alliterate and ignorant people keeps their deposit on banks for the purpose of earning interest. The expectation of the people of least developed countries with the bank is higher interest rate, in terms of deposit.

Figure 4.2.(b).1

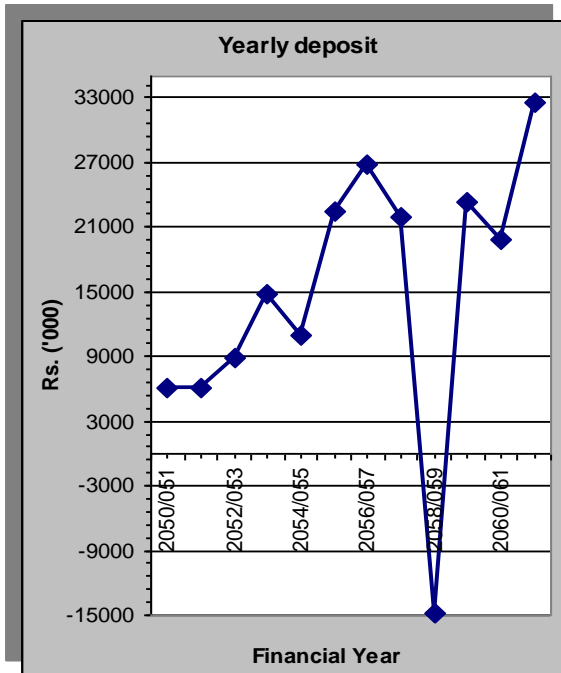
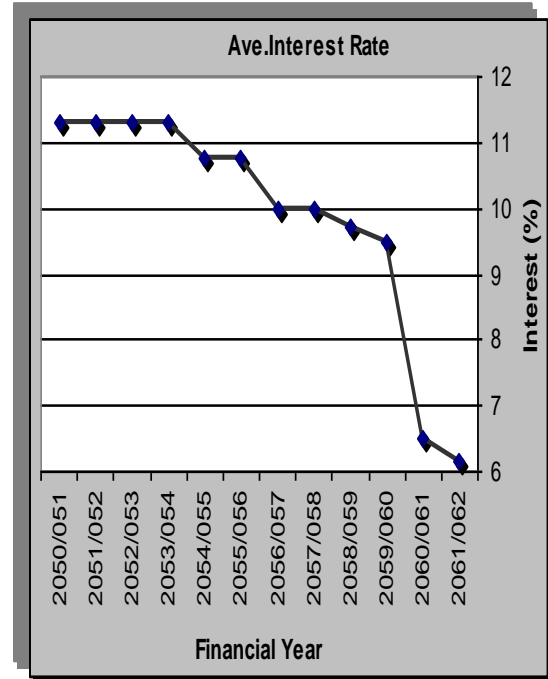


Figure 4.2.(b).2



Yearly deposit as well as average interest rate is presented on the above graph. The figure 4.2.(b).2 shows that the interest rate is declining. During the 12 years period, average interest rate reduced by 46% and running at 6.15%. Yearly deposits are more fluctuated than interest rates; as on the direction of interest rate fluctuation.

Types of deposit, deposited collected; deposit percentage and deposit ratios over a decade are shown in the table beneath. Total deposit categorized in two ways- saving deposit and fixed deposit. In the very beginning, in total, eight accounts are in the operation but few account types are phases out during last years. Deposit ratio and its percentage shows the coverage of each account type to the total deposit.

The contribution of each account in total deposit is presented in the table below. By the data, it is exhibited that 78% deposit is covered by saving deposit

accounts; where as a most significant portion of the overall deposit i.e. 67% is possess by General Saving account only. The ratio 0.67:1 shows the General Saving account a main source of deposit. Remaining 22% is the portion of fixed deposit. The total deposit is categorized into two parts-one is saving deposit and other is fixed deposit. First five accounts are submitted under the saving deposit where as remaining three are under the fixed deposit.

Table 4.2. (C)

Deposit Ratio

<i>Year</i>	<i>Account Types</i>	<i>Deposit collected Rs.('000)</i>	<i>%</i>	<i>Ratios</i>
2050-062	<i>General saving</i>	119396	66.74	0.67:1
2050-062	<i>Domestic saving</i>	8722	4.88	0.05:1
2050-062	<i>Special saving</i>	10074	5.63	0.06:1
2050-062	<i>Continuous saving scheme</i>	494	0.27	0.00:1
2050-062	<i>Lakhapati saving scheme</i>	1473	0.82	0.01:1
2050-062	<i>Fixed deposit</i>	26891	15.03	0.15:1
2050-062	<i>Principal doubling Scheme</i>	11838	6.63	0.06:1
2050-062	<i>Regular and monthly saving</i>	0.00	0.00	0.00:1
	<i>Total</i>	178888	100	1.00

(Sources: Annual Report of the organization)

By the fact, it is clear as a miracle that General Saving accounts shall have been taken into consideration while policy is altered or formulated in every aspect of the deposit sector. Regular and monthly saving scheme is wipe-out in the subsequent years therefore, zero figure under the amount column are seen inside the table no. 4.2.(C). Fixed deposit accounts carry one-fifth part of the total deposit which is very low in amount, percentage and ratio. By the perspective of loan disbursement, fixed deposit are more indigenous rather than saving deposit.

4.3 (a) Loan Disbursed Sectors (Objective wise)

Loan granting sectors vary or altered as per the time perspective. Loans are disbursed on the various purposes. Whole loan are disbursed under the headings described as below.

Farming loan

Farming is a major sector of loan disbursement for the co-operatives. This includes Fishery, beekeeping, domestic animal, cash crop, pump set, hairo, cultivator, sugarcane, fruits, cotton, irrigation, vegetable & other farming related works.

Hypothecation/Business loan

Hypothecation loan is directly related to the business activities. The loan heading now a day changed as a business loan. Business loan includes garment, readymade products & leather, fancy, wholesale, wood, woolen, auto parts, sanitary, electric, chemical, automobiles etc.

Service business loan

Service business includes loan disbursed on clinical service, computer desktop business, photocopy, x-ray, laboratory, network, P.C.O., color lab, hotel, courier, workshop, institute, law firm, consultancy service etc.

Industrial loan

As per the size, industries are categorized three ways- home industry, small scale industry and large industries. Large industries are out of the boundary for co-operatives. Loan disbursed on industrial sectors for the purchase of machineries, equipments, furniture & fixtures, raw material processing & for necessary stocks.

Hire purchase loan

Generally, the flow of loan over the means of transportation e.g. bus, truck, jeep, tractor, motorcycle, tampoo etc. is known as hire purchase loan.

Contract loan

This type of loan is disbursed to the contractor for the purpose of construction works. Usually, contract loans are provided on the acceptance of tender or bid quotation.

Housing loan

Housing loan is related to the construction of residential building or business complex. For this purpose, regular income source is a must.

Micro credit/Deprived sectors loan

This type of loan is granted to the people having very low income, less land and becoming jobless. The upper limit of micro credit loan doesn't exceed to Rs.25 thousand.

Emergency loan

Emergency loan is distributed to the shareholders of organization for the solution of immediate necessity. In case of sickness, accident, firing and sudden death; a maximum limit of Rs. 15 thousand is disbursed as a loan.

Foreign employment loan

Foreign employment loan is given to those clients who are willing to go overseas countries especially on foreign employment & return is expected through remittance facility. European, gulf and south west countries are charming for foreign employment.

Higher degree education loan

Higher degree education is considered as C.A., MBBS, Pilot, Engineer, Ph.D, M.Sc., M.B.S. etc. The loan is disbursed on the study purpose.

Domestic equipment purchase loan

Domestic equipment loan is provided to the clients for purchasing household necessities. Such as: Freeze, oven, kitchen equipments etc.

Fixed deposit pledged loan

The deposit certificate or card is pledged as collateral and 90% of the face amount is disbursed as a loan against which certain interest is charged.

Govt. security Pledged loan

The securities issued by govt. of Nepal and NRB are pledged as a collateral and loan is disbursed up to 90% of the face value of the securities, under the govt. security pledged loan.

4.3 (b) Impact of Interest rates on Loan Disbursement

Interest rate is one of the significant variables which affect the flow of loan positively and adversely. Generally, loans are disbursed in a large volume, if interest rate is lower and vs. Borrower always demands low interest on borrowings where as high interest rate on deposits. Financial intermediaries have to take attention of interest rate spread while rescheduling interest rates. Every businessman is waiting in a queue for minimizing its cost of capital with low interest rates. Cumulative loan amounts, yearly disbursed and average interest on loan are presented under the table 4.3. (b).

Table 4.3. (b)**Loan Disbursement with interest rate**

<i>Financial Year</i>	<i>Cumulative loan disbursed Rs. ('000)</i>	<i>Yearly loan disbursed Rs ('000)</i>	<i>Ave. interest rate (%)</i>
2050/51	6300	6300	19.13
2051/52	13885	7585	19.13
2052/53	23504	9619	19.13
2053/54	33283	9779	19.13
2054/55	40517	7234	18.59
2055/56	48098	7581	18.59
2056/57	77839	29741	17.80
2057/58	104175	26336	17.80
2058/59	102304	-1871	15.38
2059/60	90264	-12040	14.21
2060/61	90316	52	10.07
2061/62	101176	10860	10.59

(Sources: Annual Report of the organization)

The cumulative loan disbursed amount in the F.Y. 2061/62 is Rs. 10 crore 11 lacs and 76 thousand while interest rate is 10.59%. The rapid erosion on flow of loan seemed over the years 2058/59 and later. Lack of business activities, less movement of the people, low production and conflict over the nation are major influencing factor that arises over liquidity problem over the banking sector. The negative figures under the column, yearly loan disbursed are symbol of loan payment rather than disbursed.

The table reveals the disbursement of loan under different headings. In the FY 2050/51 loan was disbursed Rs. 6300 thousand when average interest rate was charged 19.13%. The borrowers' demanded loan for one purpose and used for speculative purpose which causes the bad debt creation. Rough borrower always attempts of cheating the lenders. When post-matured loan amount increases and realization become least, those pass-loans goes for the auction process.

Figure 4.3.(b).1

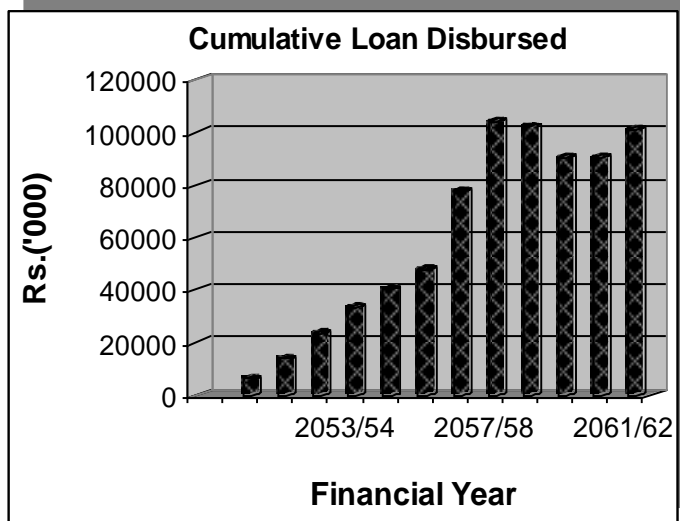
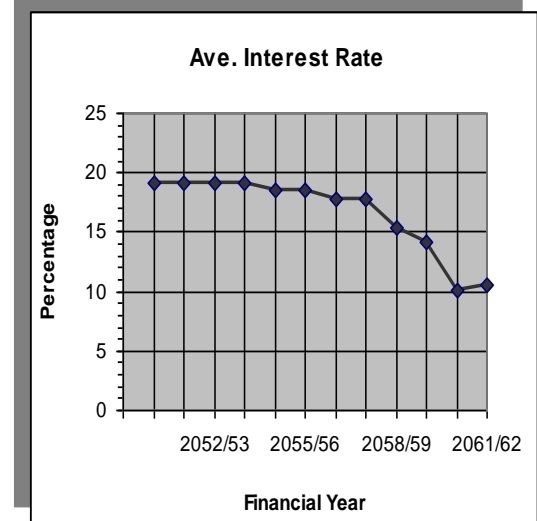


Figure 4.3. (b).2



In the FY 2058/59, a bomb was blasted inside the ADB/N Dhangadhi branch that made the depositors enthusiastic to withdraw their deposit. As a result, liquidity decreased and loan disbursement capacity also reduced. So, total loan amount of the year decreased by Rs. 1871 thousand. On the other hand, total outstanding loan decreased to Rs. 90264 thousand in the year 059/60, because of the pass-loan transferred into non banking assets account. Average interest rate has the decreasing trend. During its 12 years loan disbursed period, nearly Rs. 3 crore was disbursed within the year 2056/57 only.

4.3 (c) Loan Classifications

By the nature, for the purpose of control, sole loan headings are categorized in four parts- pass loan, substandard, doubtful and loss loan. This type of mechanism measures the quality of loan disbursed. 'Depositors should keep safe' with any risk is the main principal of loan classification as above. Loan loss provision is a compulsory obligation for the banking organization.

Table 4.3.C**Pass, substandard, doubtful & loss Loan**

<i>S.N</i>	<i>Loan Classification</i>	<i>2060 Ashad</i>		<i>2061 Ashad</i>		<i>2062 Ashad</i>	
		<i>Loan O/S Rs.('000)</i>	<i>%</i>	<i>Loan O/S Rs.('000)</i>	<i>%</i>	<i>Loan O/S Rs.('000)</i>	<i>%</i>
<i>1</i>	<i>Pass</i>	<i>79170</i>	<i>87.71</i>	<i>79136</i>	<i>87.62</i>	<i>91765</i>	<i>90.69</i>
<i>2</i>	<i>Substandard</i>	<i>3387</i>	<i>3.75</i>	<i>726</i>	<i>0.80</i>	<i>1659</i>	<i>1.64</i>
<i>3</i>	<i>Doubtful</i>	<i>7360</i>	<i>8.15</i>	<i>3850</i>	<i>4.26</i>	<i>2469</i>	<i>2.44</i>
<i>4</i>	<i>Loss</i>	<i>347</i>	<i>0.39</i>	<i>6604</i>	<i>7.32</i>	<i>5283</i>	<i>5.23</i>
	<i>Total</i>	<i>90264</i>	<i>100</i>	<i>90316</i>	<i>100</i>	<i>101176</i>	<i>100</i>

(Sources: Annual Report of the organization)

On average, the percentage of pass loan during the period of three years is 88.67. Substandard are less than four percent. Doubtful loan are in the decreasing order. The peak range of doubtful loan during above period is 8.15%. Similarly, loss loan ranges to 7.32% and less.

4.4 Comparative Analysis of Deposit & Loan Disbursement

By the comparative analysis, it becomes very easy to point out the interdependency or deviation between loan & deposit together. Loans are the major part of deposit. Hence, interdependency persists between the loan flows and deposit collection.

Yearly deposit collected and loan disbursed amount are presented in the table no. 4.4. Loan disbursed amount seemed excess over the deposit in the year 2050/51, 2051/52, 2052/53 and 056/57 respectively by Rs. 269, 1462, 829 & 2908 thousand. The excess flow of loan over deposit become possible through the paid up share capital and various reserves available.

Table 4 .4

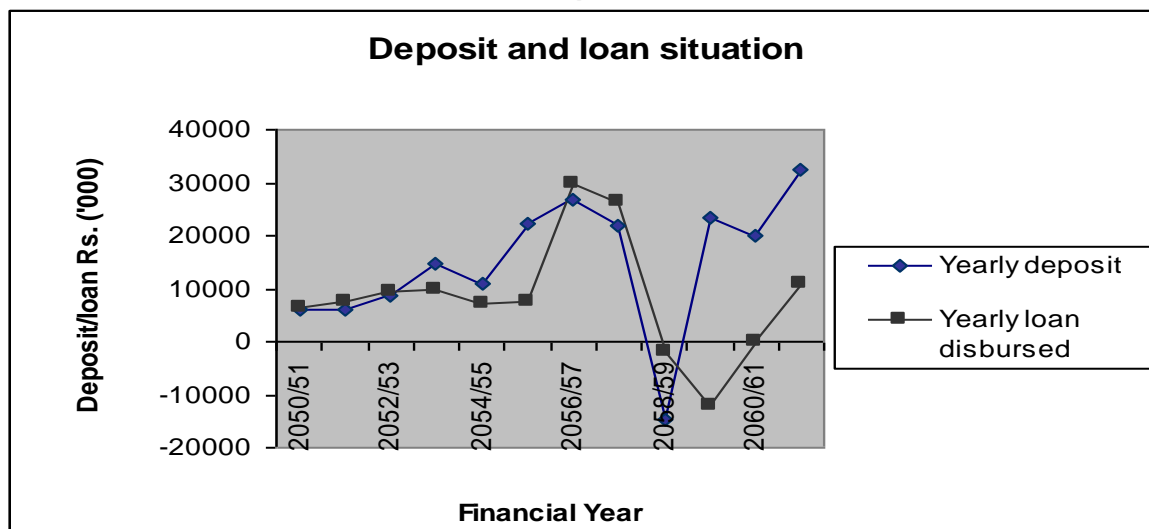
Deposit collected and loan disbursement

<i>Financial Year</i>	<i>Yearly deposit Rs.('000)</i>	<i>Yearly loan disbursed Rs.('000)</i>
2050/51	6031	6300
2051/52	6123	7585
2052/53	8790	9619
2053/54	14873	9779
2054/55	10984	7234
2055/56	22391	7581
2056/57	26833	29741
2057/58	21889	26336
2058/59	-14774	-1871
2059/60	23328	-12041
2060/61	19831	53
2061/62	32587	10860
<i>Total</i>	<i>178886</i>	<i>101176</i>

(Sources: Annual Report of the organization)

Negative deposit figure (deposit withdrawal) of the FY 2058/59 carried the loan disbursed negative in the reciprocal two FY's and very low disbursement in the subsequent year thereafter. The impact of one negative deposit sustained till the continuous three years of loan disbursement.

Figure 4.4



Loan disbursed amount is adequately high in the few financial years whereas deposit collected has a small changes that is precisely shown in the graph 4.4. Within the year 2058/59 both loan and deposit curves are downward sloping that is the indication of deposit erosion. Deposit curve shows the increasing pattern during the year 2059/60 even if, loan curve is downward sloping.

4.5 (a) Non performing Assets

Loan is disbursed in any purpose or sector for the certain period. The amount of such loan is said to be the outstanding loan until repayment is made. The loans have a remaining maturity and renewed loan are considered the pass loan. Only 1% provision should be made in case of pass loan. If the maturity period of loan are passes & not renewed until one year or more, then the provision up to 100 percent should be made for out dated loan. Such loans are called substandard, doubtful and loss. In short, only pass loan are the performing asset, rather than the pass are non performing assets.

Table 4.5. (a)

Performing and non performing Assets

<i>S.N.</i>	<i>Year End</i>	<i>PA</i>		<i>NPA</i>		<i>Total Loan O/S</i>	
		<i>Rs.('000)</i>	<i>%</i>	<i>Rs.('000)</i>	<i>%</i>	<i>Rs.('000)</i>	<i>%</i>
<i>1</i>	<i>2060 Ashad</i>	<i>79170</i>	<i>87.71</i>	<i>11094</i>	<i>12.29</i>	<i>90264</i>	<i>100</i>
<i>2</i>	<i>2061 Ashad</i>	<i>79136</i>	<i>87.62</i>	<i>11180</i>	<i>12.38</i>	<i>90316</i>	<i>100</i>
<i>3</i>	<i>2062 Ashad</i>	<i>91765</i>	<i>90.69</i>	<i>9411</i>	<i>9.31</i>	<i>101176</i>	<i>100</i>

(Sources: Annual Report of the organization)

PA and NPA are presented in the table above. Of the total outstanding loans at the year end 2062, 9.31% loan seemed non performing. During the period, the NPA exist 9%-13%. In the overall banking standard, the 4% NPA is considered normal.

4.5 (a) (i) Causes

The major internal and external causes of increasing NPA are pointed below.

Internal causes

- Disbursement made on less valuable security.
- Weakness in loan analysis.
- Pledge oriented investment rather than project based investment.
- Weakness in supervision and usefulness of loan.
- Unable to select the pass loanee.
- Inaccurate property valuation.
- Corruption motive of loan approval staff.
- Unable to sell the bank's own ownership pledge.

External causes

- Decrease in the value of pledge.
- Unfavourable safety situation.
- Long processes of loan recover.
- Loan missing and nonpaying tendency.

Political and legal causes

- Unnecessary interfere and pressure in the process of loan cycle.
- Lack of better monitoring and regulation mechanism.
- Not presence of property managing company.
- Lack of pro-rata rule and regulation.

Why NPA does increases & what are the major causes of increasing non performing asset are listed above. All the causes are equally effectible and their impact keeps on favorable for loanee rather than bank, thus above are main considerable key causes for a banker during & after the disbursement process.

4.5 (a) (ii) Impact of non performing assets

- I. Lack of liquidity.
- II. High cost of resources mobilization.
- III. Deficit in goodwill.
- IV. Tax burden, if the loan loss provision are made above the 5% of total loan.
- V. Negative effect on profit, by provision and NPA.
- VI. Adverse effect on the capital fund.
- VII. Possibility of liquidation of a bank.

4.5 (b) Non-banking assets

Non-banking assets are such portion of loan, which is treated as bad debt. If the amount of loan becomes doubtful the certain percentages of income is kept aside as a provision for bad and doubtful loan. NBA arises as a result of default loanee, corruption motive of loan approval staff and by the pressure of board of directors and others.

Table 4.5 (b)

Non-banking assets to total loan disbursement ratio

<i>Financial Year</i>	<i>Non banking assets Rs. ('000)</i>	<i>Total loan disbursed Rs. ('000)</i>	<i>Ratio</i>
2053/54	74	33283	0.22
2054/55	3273	40517	8.08
2055/56	4659	48098	9.69
2056/57	4320	77839	5.55
2057/58	4274	104175	4.10
2058/59	4234	102304	4.14
2059/60	16075	90264	17.81
2060/61	11119	90316	12.31
2061/62	17844	101176	17.64

(Sources: Annual Report of the organization)

In the table above, the trend of NBA is in up & down order. The NBA has rapid growth in the year 2059/60 i.e. 17.81%. The percentage 17.81 indicates that the large amount is in the trap which causes liquidity decreases, fund holds up, interest paid are increases and return decreases. This situation pushes an organization towards the losses. Non-banking assets arises in the year 053/54, the pick year is 059/60, whereas normal position is in the year 057/58 and 058/59.

4.6 (a) Cash flow pattern of co-operatives

The total cash inflows and outflows of the organization during four years period (2057/58 to 2060/61) is demonstrated inside the table below. Cash inflow includes the total cash introduced into the organization during the year. Similarly, cash outflow includes the cash payout from the organization during the year.

Table 4.6 (a)

Cash flow pattern of co-operatives (Rs.'000)

<i>Particulars</i>	<i>2057 /058</i>	<i>%</i>	<i>2058 /059</i>	<i>%</i>	<i>2059 /060</i>	<i>%</i>	<i>2060 /061</i>	<i>%</i>
<i>Cash inflows</i>								
<i>Opening cash bal.</i>	<i>3126</i>	<i>4.69</i>	<i>2854</i>	<i>6.27</i>	<i>2171</i>	<i>3.12</i>	<i>1713</i>	<i>1.97</i>
<i>Opening bank bal.</i>	<i>33931</i>	<i>50.91</i>	<i>35538</i>	<i>78.05</i>	<i>24215</i>	<i>34.84</i>	<i>55437</i>	<i>63.88</i>
<i>Increase in share capital</i>	<i>1461</i>	<i>2.19</i>	<i>-</i>	<i>-</i>	<i>351</i>	<i>0.51</i>	<i>600</i>	<i>0.69</i>
<i>Decrease in investment</i>	<i>-</i>		<i>2075</i>	<i>4.56</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Refund of loan & advances (Stff. loan)</i>	<i>-</i>		<i>1107</i>	<i>2.43</i>	<i>11692</i>	<i>16.82</i>	<i>-</i>	<i>-</i>
<i>Increase in deposit</i>	<i>21889</i>	<i>32.84</i>	<i>-</i>	<i>-</i>	<i>23328</i>	<i>33.56</i>	<i>19831</i>	<i>22.85</i>
<i>Operating profit (incl. prov. & depⁿ)</i>	<i>4469</i>	<i>6.70</i>	<i>3580</i>	<i>7.86</i>	<i>7744</i>	<i>11.15</i>	<i>7899</i>	<i>9.10</i>
<i>Decrease in W/C</i>	<i>1782</i>	<i>2.67</i>	<i>379</i>	<i>0.83</i>	<i>-</i>	<i>-</i>	<i>1303</i>	<i>1.51</i>
<i>Sale of Assets</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Total [A]</i>	<i>66658</i>	<i>100</i>	<i>45533</i>	<i>100</i>	<i>69501</i>	<i>100</i>	<i>86783</i>	<i>100</i>

Cash out flows								
<i>Additional FA</i>	293	1.04	192	1.00	286	2.33	2703	43.44
<i>Dividend paid</i>	1562	5.53	1815	9.48	573	4.65	1222	12.9
<i>Tax paid</i>	-	-	1020	5.33	342	2.78	803	19.63
<i>Decr. in share capital</i>	-	-	1346	7.03	-	-	-	-
<i>Incr. in investment</i>	75	0.26	-	-	-	-	501	8.05
<i>Incr. Loan & advance</i>	26336	93.17	-	-	-	-	994	15.89
<i>Decrease in deposit</i>	-	-	14774	77.16	-	-	-	-
<i>Increase in W/C</i>	-	-	-	-	11150	90.24	-	-
<i>Operating loss</i>	-	-	-	-	-	-	-	-
<i>Total [B]</i>	28266	100	19147	100	12351	100	6223	100
<i>[A – B]</i>	38392		26386		57150		80560	
<i>Closing cash balance</i>	2854		2171		1713		1816	
<i>Bank balance</i>	35538		24215		55437		78744	
<i>Total cash & bank bal.</i>	38392		26386		57150		80560	

(Sources: Annual Report of the organization)

Cash inflows in the FY 2057/58 seemed Rs. 66658 thousand whereas, outflow seemed Rs. 28266 thousand in the same year. The difference or the excess over outflow was maintained as cash and bank balance i.e. Rs.38392 thousand. During the year, the working capital has been decreased by 2.67%. Working capital is the excess amount of current assets over current liabilities. Although, the decrease in working capital for the banking organization is claimed well, at an extent, because the current assets provide less return than long term fixed assets. So, by the income generating point of view, long term assets are more worthy and risky. The idle money Rs. 38392 (i.e. 32.56% liquidity of total deposit) in the FY 2057/58 kept as cash and bank balance is enough for the progressive capital. The cash flow statement reveals the maximum uses of fund. Increment in deposit found the main source of cash inflow which has contributed nearly 33% in total. Similarly, loan & advances is the greater portion of uses of fund which has covered 93% area of the total fund.

The regular Inflow of cash is considered most important source i.e. deposit liability. The deposit decreased in the year 2058/59 which was unhealthy situation for the organization. Similarly, investment was also decreased by 4.56% of total inflows. Dividend and tax paid are increased than the previous year in the amount as well as in percentages. By the annual report, it is exhibited that the tax paid began from the year 057/58 but paid out in the FY 058/59 and recorded under cash outflow table. The portion of tax liability of previous year was 5.33%, further more; share capital was decreased by 7.03% and Cash inflow maximized by 2.38 times than cash outflows of the year 2058/59.

The total cash outflow seemed Rs. 12351 thousand, out of which the portion of working capital is 90.24%. The working capital is the excess sum of current assets over current liability that pays low return, though these are less risky for the organization. The difference of cash inflow and outflow in the FY 2059/60 is 57150 thousand which is cash and bank balance. Operating profit of the organization was also rise up by 7744 thousand (11.15%). The uses of cash are purchase of fixed assets, dividend paid and tax paid.

In the financial year 2060/061, the investment made under fixed assets was very tough i.e. 43.44%. The opening bank balance of the year was 55437 thousand which covers 64% of the total cash inflow. Tax and dividend paid are 19.63% and 12.9% respectively.

From the study of above table, it is state and clear that the management body of the organization can't use its available resources properly rather the idle money kept in vault and bank account. If the portfolio of resources engaged well in different sectors, it can enjoy a sufficient profit.

4.6. (b) Risk Return

Risk and Return are two important aspects of financial management which influence the individual's decision regarding investment on particular stock or asset. It is very complex to identify that an asset is risky or not? To what extent, it depends upon the individual's attitude towards risk. Return on equity (ROE) is calculated dividing net profit after tax (NPAT) by shareholders' equity (SHE). The return what the investor expects over his initial investment is called the return on asset. Risk refers to change some unfavorable event that will occur. Every investment involves uncertainties that make future investment risky. Risk and return are calculated and displayed under the table below.

Table 4.6 (b)

Risk Return Pattern

<i>F.Y.</i>	<i>NPAT('000)</i>	<i>SHE('000)</i>	<i>ROE (R)</i>	<i>(R-\bar{R})</i>	<i>(R-\bar{R})²</i>
<i>2056/57</i>	<i>3413</i>	<i>14994</i>	<i>0.22762</i>	<i>0.13247</i>	<i>0.0175483</i>
<i>2057/58</i>	<i>1966</i>	<i>18139</i>	<i>0.10839</i>	<i>0.01324</i>	<i>0.0001753</i>
<i>2058/59</i>	<i>301</i>	<i>16498</i>	<i>0.01824</i>	<i>-0.07691</i>	<i>0.0059151</i>
<i>2059/60</i>	<i>1630</i>	<i>17192</i>	<i>0.09481</i>	<i>-0.00034</i>	<i>0.0000001</i>
<i>2060/61</i>	<i>521</i>	<i>17664</i>	<i>0.02950</i>	<i>-0.06565</i>	<i>0.0043099</i>
<i>2061/62</i>	<i>1758</i>	<i>19036</i>	<i>0.09235</i>		
<i>N=6</i>			<i>0.57091</i>		<i>0.0279487</i>

(Sources: Annual Report of the organization)

Where,

$$\text{ROE (R)} = \frac{\text{NPAT}}{\text{SHE}} \text{ (Return on equity)}$$

NPAT = Net profit after tax

SHE = Shareholders equity (Paid up equity+ capital reserve+ general reserve + retained earning+ div. equalization fund + profit-loss)

N = No. of years

C.V. = Coefficient of variation

σ = Sigma

$$\begin{aligned}
 \text{(Return)} \quad \bar{R} &= \frac{ROE}{N} \\
 &= \frac{0.57091}{6} \\
 &= 0.09515 \text{ or } 9.515\%
 \end{aligned}$$

$$\begin{aligned}
 \text{(Risk)} \quad \sigma &= \sqrt{\frac{\sum (R - \bar{R})^2}{N}} \\
 &= \sqrt{\frac{0.0279487}{6}} \\
 &= \sqrt{0.0046581} \\
 &= 0.06825 \text{ or } 6.825\%
 \end{aligned}$$

$$\begin{aligned}
 \text{C.V.} &= \frac{\sigma}{\bar{R}} \times 100 \\
 &= \frac{0.06825}{0.09515} \times 100 \\
 &= 71.72\%
 \end{aligned}$$

Return on equity (ROE) of the different years has been fluctuated much more to the average return (\bar{R}). In the prescribed report, the return on equity is treated as an expected return of the co-operatives. Due to the fluctuation on net profit after tax, the ROE is also affected. Highest return on equity carries on the financial year 2056/57 whereas; in the financial year 2058/59, the return on equity is very lowest i.e.1.824%.

Risk is such factor which can be forecasted from past experiences. The situation that creates unexpected results is known as risk. To measure the risk, the standard deviation (σ) and coefficient of variation (C.V.) are calculated. The coefficient of variation shows the risk per unit of return and provides a more meaningful base. Risk is being computed for two or more alternatives. In the present study, the average return on each share (\bar{R}) is calculated 9.515%, whereas risk is 6.825%. The table reveals that each share holders has to bear 71.27% risk.

4.7 Deployment and Composition of Share holders

The shareholders of the organization are scattered all over the country. Male, female, group and institutions are its common shareholders. Male shareholders have a greater volume on the total composition. The deployment, composition and distribution of the shareholders are analyzed by- region, zone, district, caste and amount in a proper way, as mentioned below.

4.7 (a) Geography wise

Under the distribution of total ordinary share, the geography comprises 5 region, 14 zones and 75 districts of the country in total.

I. Region

To the address available in the organization, the number of shareholders to the related region is finding out by VDC, district & zone. Then finally, rough data are tabulated in a sequential form.

Table 4.7 (a) I

Region wise share distribution

<i>Year</i>	<i>Region</i>	<i>No. of Shareholders</i>	<i>Percentage (%)</i>
<i>2050-63</i>	<i>Eastern</i>	<i>281</i>	<i>4.96</i>
<i>2050-63</i>	<i>Central</i>	<i>425</i>	<i>7.51</i>
<i>2050-63</i>	<i>Western</i>	<i>76</i>	<i>1.34</i>
<i>2050-63</i>	<i>Midwest</i>	<i>555</i>	<i>9.80</i>
<i>2050-63</i>	<i>Farwest</i>	<i>4305</i>	<i>76.03</i>
<i>2050-63</i>	<i>Undefined</i>	<i>20</i>	<i>0.36</i>
	<i>Total</i>	<i>5662</i>	<i>100</i>

(Sources: Shareholders' Record Book of the Organization)

By the data presented inside the table above, the highest number of shareholders seemed in the Farwest Region i.e. 4305 (76.03%). Out of the 5 development region, one third of the shareholders appeared in Farwest development region & very least number of shareholders (1.34%) are living in Western development region. The address of 20 shareholders found undefined. Hence, they are kept aside in a separate row. Mobility & deviation of the shareholders by one region to another development region is considerable.

II. Zone

Numbers of shareholders located under fourteen zones are included in the portfolio of national geography. Every zone has withheld of shareholders. Out of the total, 22 shareholders are unknown by the address that in which zone they are situated. Seti is an origin zone of the organization. So, nearly 72% of the total shareholders located in 9 districts of Seti. There are merely two shareholders in the sole zone viz. Dhawalagiri and Karnali respectively. Bheri, Bagmati, Mahakali & Koshi zone has a greater number of shareholders.

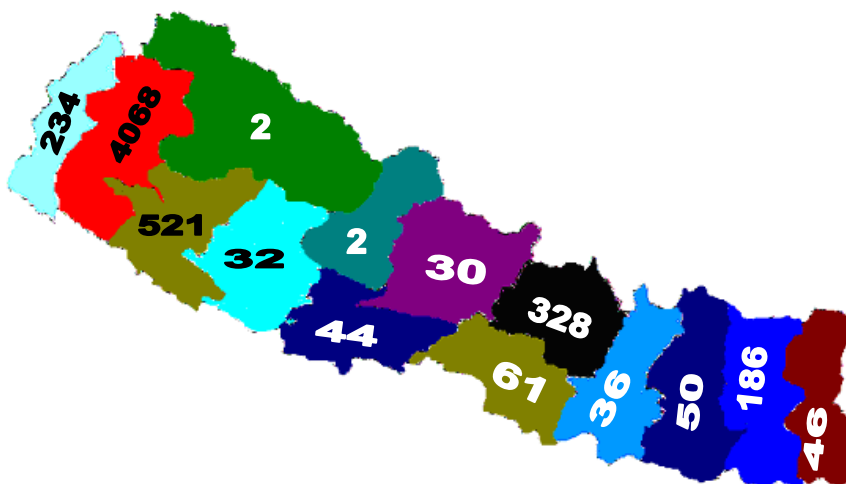
Table 4.7 (a) II

Zone wise share distribution

Year	Zone	No. of shareholders	Percentage (%)
2050-63	Mache	46	0.81
2050-63	Koshi	186	3.29
2050-63	Sagarmatha	50	0.88
2050-63	Janakpur	36	0.64
2050-63	Bagmati	328	5.79
2050-63	Narayani	61	1.08
2050-63	Lumbini	44	0.78
2050-63	Gandaki	30	0.53
2050-63	Dhawalagiri	2	0.04
2050-63	Rapti	32	0.56
2050-63	Bheri	521	9.20
2050-63	Karnali	2	0.04
2050-63	Seti	4068	71.85
2050-63	Mahakali	234	4.12
2050-63	Undefined	22	0.39
	Total	5662	100

(Sources: Shareholders' Record Book of the Organization)

Figure 4.7 (a) II
share distribution map



Above map shows the distribution of shares in all zones of the country. Seti is a pioneer as well as originating zone of the organization which has covered 4068 no. of shares out of 5662 shareholders in total. On account of its nationalizing function sector; it has become an access of countywide shareholders. It is clear by the map that less than 100 shareholders are scattered over 10 Zones.

III. District

On the basis of land shape, sole country is categorized into three regions i.e. Himali region, Hilli region & Terai region. The number of scattered shareholders under different region and districts are listed inside the table below. The table shows that there is no shareholder in 18 districts. They are respectively *Ilam, Dhankuta, Solukhumbu, Khotang, Sindhupalchok, Rasuwa, Manang, Mustang, Magdi, Parwat, Puthan, Rolpa, Rukum, Dailekh, Jajarkot, Dolpa, Jumla & Mugu*. Similarly, there is only one shareholder in 11 districts. To the lack of proper address in the share registered book of the organization, 23 shareholders are undefined. The people living in Hilli and Himali districts have a very low access in the share of this organization. The no. of districts having greater than 100 shareholders is five. *Viz.* Morang, Kathmandu, Bardiya, Kailali and Kanchanpur. The highest no. of the shareholders is located in Kailali district i.e. 3972. Ultimately, it is concluded that Farwest region has a large no. of shareholders on total portfolio of the regions. District wise number of shareholders during thirteen years is presented in the table no. 4.7 (a) III.

Table 4.7 (a) III
District wise share distribution

<i>Year</i>	<i>District</i>	<i>No. of Shareholders</i>	<i>District</i>	<i>No. of Shareholders</i>
2050-63	Taplejung	1	Syanja	7
2050-63	Panchthar	1	Kaski	10
2050-63	Ilam	0	Manang	0
2050-63	Jhapa	44	Mustang	0
2050-63	Morang	105	Magdi	0
2050-63	Sunsari	77	Parwat	0
2050-63	Dhankuta	0	Baglung	2
2050-63	Terathum	2	Gulmi	7
2050-63	Sankhuwasabha	1	Palpa	20
2050-63	Bhojpur	1	Nawalparasi	3
2050-63	Solukhumbu	0	Rupendehi	9
2050-63	Okhaldunga	3	Kapilwastu	2
2050-63	khotang	0	Arghakanchi	2
2050-63	Udapur	1	Puthan	0
2050-63	Saptari	32	Rolpa	0
2050-63	Siraha	14	Rukum	0
2050-63	Dhanusa	27	Salyan	1
2050-63	Mahottari	2	Dang	31
2050-63	Sarlahi	3	Banke	14
2050-63	Sindhuli	1	Bardiya	503
2050-63	Ramechhape	1	Surkhet	4
2050-63	Dolkha	2	Dailekh	0
2050-63	Sindhupalchok	0	Jajarkot	0
2050-63	Kabhrepalanchok	14	Dolpa	0
2050-63	Lalitpur	29	Jumla	0
2050-63	Bhaktapur	66	Kalikot	1
2050-63	Kathmandu	212	Mugu	0
2050-63	Nuwakot	2	Humla	1
2050-63	Rasuwa	0	Bajura	5
2050-63	Dhading	5	Bajhang	9
2050-63	Makwanpur	13	Achham	8
2050-63	Rauthat	2	Doti	74
2050-63	Bara	7	Kailali	3972
2050-63	Parsa	27	Kanchanpur	168
2050-63	Chitwan	12	Dadeldhura	32
2050-63	Gorkha	6	Baitadi	19
2050-63	Lamjung	1	Darchula	15
2050-63	Tanahu	6	Undefined	23
	<i>Total</i>	720	<i>Total</i>	4942

(Sources: Shareholders' Record Book of the Organization)

4.7 (b) Caste wise

On the share mix, it is useful to notify the caste wise shareholders distribution with their percentage. The portion of Bramhan shareholders & their coverage is nearly one third (31.55%) of total. Newar and Dalit have a very low participation on the share of co-operatives. 14.02% Chaudharys are shareholders of Navajeevan co-operatives Ltd. Most of Chaudharys' and Dalit became shareholders for loan taking purpose. Other shareholders; rather than Bramhan, Chettri, Dalit, Chaudhary and Newar are near to 15%.

Table 4.7 (b)

Caste wise share distribution

<i>Year</i>	<i>Caste</i>	<i>No. of Shareholders</i>	<i>Percentage (%)</i>
<i>2050-63</i>	<i>Bramhan</i>	<i>1786</i>	<i>31.55</i>
<i>2050-63</i>	<i>Chettri</i>	<i>1544</i>	<i>27.27</i>
<i>2050-63</i>	<i>Dalit</i>	<i>357</i>	<i>6.31</i>
<i>2050-63</i>	<i>Chaudhary</i>	<i>794</i>	<i>14.02</i>
<i>2050-63</i>	<i>Newar</i>	<i>349</i>	<i>6.16</i>
<i>2050-63</i>	<i>Others</i>	<i>832</i>	<i>14.69</i>
	<i>Total</i>	<i>5662</i>	<i>100</i>

(Sources: Annual Report of the organization)

4.7 (c) Amount wise

Out of the 5662, 95.64% shareholders have purchased the share of co-operatives as a participatory membership only. They are nominal shareholders who purchased the share amounting Rs.5000 and less. Five percent shareholders contributed their capital of Rs 5000 and above for beneficiary purpose.

Table 4.7 (C)

Amount wise share distribution

<i>Year</i>	<i>Amount</i>	<i>No. of Shareholders</i>	<i>Percentage (%)</i>
<i>2050-63</i>	<i>1000 Rs.</i>	<i>2755</i>	<i>48.66</i>
<i>2050-63</i>	<i>1000 to 5000 Rs.</i>	<i>2660</i>	<i>46.98</i>
<i>2050-63</i>	<i>Rs. 5000 & greater</i>	<i>247</i>	<i>4.36</i>
	<i>Total</i>	<i>5662</i>	<i>100</i>

(Sources: Annual Report of the organization)

4.7 (d) Share capital Trend

Paid up share capital, their percentage & dividend paid in different financial years are shown in the table no 4.7 (d). Out of the total share capital Rs.15036 thousand, Rs.2939 thousand (19.55%) was collected in the F.Y. 2054/55; whereas 2.33% in the year 2059/60. Until the recovery of retained loss of the previous years, dividend declaration and payment is not allowed. So, dividend paid is zero, within the F.Y. 2053/54 and 054/55. The highest dividend payout is 15% that remained constant for 3 years. As the supervisory direction & inspection of NRB, Investment on share is returned back in the year 2058/59; hence the percentage in share capital seemed negative by 8.95%. In the year of incorporation i.e.F.Y.2050/51, expenditure over income is equal; so, in the absence of profit dividend is neither declared nor distributed. Co-operative banking business is new in the decade of 2050. The share of Navajeevan co-operative is not listed in the share market, even though many people interested to the share of Navajeevan. In the beginning years, growth on share capital is 36%; which is possible due to the share offering national wise.

Table 4 .7 (d)

Share Capital & Dividend

<i>Financial year</i>	<i>Share capital Rs. ('000)</i>	<i>Percentage (Share Capital)</i>	<i>Div. Paid (%)</i>
2050/51	2448	16.28	0.00
2051/52	2457	16.34	6.65
2052/53	605	4.02	10.75
2053/54	1086	7.22	0.00
2054/55	2939	19.55	0.00
2055/56	859	5.71	15.00
2056/57	1708	11.36	15.00
2057/58	1461	9.72	15.00
2058/59	-1346	-8.95	5.00
2059/60	351	2.33	10.00
2060/61	600	3.99	5.00
2061/62	818	5.44	9.00
2062/63	1050	6.99	4.00
<i>Total</i>	<i>15036</i>	<i>100</i>	

(Sources: Annual Report of the organization)

4.8 Job satisfaction of the employees

The job aspiration table is calculated on the basis of response figures obtained from 13 questions. It is known by the questionnaire-survey that no motivational tools were used to encourage the employees. The first 4 questions are strongly related to the job motivation. At least 18(82%) employees seemed not involvement on training. The responses of the employees are found negative on behalf of the seniority based promotion, reward system and work performance appraisal. In the response of occupation at present, no employee seen in the favour. At most 18% employees are satisfied to the pay at present. Out of 22, six employees have a part-time job involvement outer the organization. There was 36%

absenteeism as well as low teamwork and coordination among employees. The last item reveals the high turnover of employees in the organization. As a whole, the low affirmative responses show the dissatisfaction with job.

Table 4 .8

Job aspiration of the employees

<i>Topic</i>	<i>Frequency</i>		<i>Total sample size</i>
	<i>Yes</i>	<i>No</i>	
<i>1. Training Involvement</i>	<i>3</i>	<i>19</i>	<i>22</i>
<i>2. Seniority based promotion</i>	<i>4</i>	<i>18</i>	<i>22</i>
<i>3. Reward system</i>	<i>2</i>	<i>20</i>	<i>22</i>
<i>4. Work performance appraisal</i>	<i>4</i>	<i>18</i>	<i>22</i>
<i>5. Grievance handling system</i>	<i>3</i>	<i>19</i>	<i>22</i>
<i>6. Disciplinary actions taken</i>	<i>0</i>	<i>22</i>	<i>22</i>
<i>7. Occupation at present is better</i>	<i>0</i>	<i>22</i>	<i>22</i>
<i>8. Pay is sufficient</i>	<i>4</i>	<i>18</i>	<i>22</i>
<i>9. Part-time work involvement</i>	<i>6</i>	<i>16</i>	<i>22</i>
<i>10. Present income meet the exp.</i>	<i>3</i>	<i>19</i>	<i>22</i>
<i>11. Team work and coordination</i>	<i>3</i>	<i>19</i>	<i>22</i>
<i>12. Leave utilized</i>	<i>8</i>	<i>14</i>	<i>22</i>
<i>13. Additional employee recruited</i>	<i>22</i>	<i>0</i>	<i>22</i>

(Sources: Personal survey-questionnaire method)

4.9 Testing the hypothesis

Every researcher has to start with certain assumption through which subsequent study might prove or disapprove. A hypothesis helps the ones in proceeding & organizing the collected data in a systematic way for further finding the solution of problems. A well established hypothesis provides the guideline for investigation. It is a tentative generalization, the validity of which remains to be

tested. A hypothesis is a provisional formulation or possible solution of tentative expectation or suggested answers to the problems.

Hypothesis leads us to the economy of time and money as well as significant conclusion for the advancement of knowledge. The refined hypothesis is more significant in research and the degree of significance depends on the level of abstraction of underlying the hypothesis. There are two types of hypothesis which are fasted in the course of study.

4.9 A T-test

[A] Hypothesis first

H_0 : $\mu X_1 = \mu X_2$ (There is no significant difference between the mean ratios of targeted loan disbursement and actual loan outstanding).

H_A : $\mu X_1 \neq \mu X_2$ (There is significant difference between the mean ratios of targeted loan disbursement and actual loan outstanding).
(Two tailed test)

α = 5% (0.05)

ν (d.f.) = $(n_1+n_2)-2$

= $(5+5-2)$

t (tab) = 2.306

t cal. = 4.01 (See Appendix -VI)

Decision : Since 't' cal. (i.e. 4.01) is $>$ 't' tab. (i.e.2.306), null hypothesis is rejected.

Hence, there is significant difference between the mean ratios of targeted loan disbursement and actual loan outstanding.

4.9 B **T-test:**

[B] Hypothesis second

H_0 : $\mu X_1 = \mu X_2$ (There is no significant difference between the mean ratios of targeted loan collection and actual loan collection).

H_A : $\mu X_1 \neq \mu X_2$ (There is significant difference between the mean ratios of targeted loan collection and actual loan collection).
(Two tailed test)

α = 5% (0.05)

ν (d.f.) = $(n_1+n_2)-2$

= $(5+5-2)$

t (tab)= 2.306

t cal. = 2.084(See Appendix -VII)

Decision : Since 't' cal. (i.e. 2.084) is < 't' tab. (i.e.2.306), null hypothesis is accepted.

Hence, no significant difference found between the mean ratios of targeted loan collection and actual loan collection.

4.9 C **Correlation:**

[C] Hypothesis third

H_0 : $\rho = 0$ (There is no correlation between loan outstanding and profit earned of different years).

H_A : $\rho \neq 0$ (There is significant relation between loan outstanding and profit earned of different years).

To test the hypothesis set above, Karl Pearson's Coefficient of Correlation has been used.

$r = -0.5145$ (See Appendix -VIII)

Decision:

Now, Carl Pearson's Coefficient of correlation between the loan outstanding and profit/loss earned has been calculated and found to be -0.5145. It means there is negative correlation between these two variables. Hence, it can be said that the loan outstanding has negative co-relationship with the profit/loss earned. Therefore, alternative hypothesis set above is accepted.

4.9 D Correlation:

[D] Hypothesis fourth

H_0 : $\rho = 0$ (Non banking asset and non performing asset has no relation)

H_A : $\rho \neq 0$ (There is correlation between non banking asset and NPA).

To test the hypothesis set above, Karl Pearson's Coefficient of Correlation has been used.

$r = -9.0$ (See Appendix -IX)

Decision:

Now, Carl Pearson's Coefficient of correlation between non performing asset and non banking asset found to be -9.0. It means there is highly negative correlation between non performing asset & non banking assets. Hence, it can be said that the NPA has negative co-relationship with NBA. Therefore, alternative hypothesis set above is accepted.

4.9 E **F-test:**

[E] Hypothesis fifth

H_0 : $\mu X_1 = \mu X_2 = \mu X_3 = \dots = \mu X_n$ (There is no significant difference on loan outstanding of different years -purpose wise).

H_A : $\mu X_1 \neq \mu X_2 \neq \mu X_3 \neq \dots \neq \mu X_n$ (There is significant difference on loan o/s of different years -purpose wise).

Purpose wise loan outstanding				Rs.('00,000)	
<i>Purpose of Loan</i>	<i>Loan O/S 2058/59</i>	<i>Loan O/S 2059/60</i>	<i>Loan O/S 2060/61</i>	<i>Loan O/S 2061/62</i>	<i>Loan O/S 2062/63</i>
<i>Business & Industry</i>	588	526	526	582	734
<i>Hire purchase</i>	164	120	86	58	33
<i>Ag., Micro. & Service</i>	233	224	266	324	387
<i>Emergency & construct.</i>	10	4	5	20	65
<i>Fix deposit against loan</i>	28	29	20	27	30
<i>Total</i>	1023	903	903	1011	1249

Test statistic, under H_0 :

$$F = \frac{\text{Mean sum of squares between samples}}{\text{Mean sum of squares within samples}}$$

$$F = 115.34 \text{ (See Appendix -X)}$$

Critical Value: The table value of 'F' at 5% level of significance for 4 and 20 degrees of freedom is 2.87.

Decision: Since the calculated value of 'F' is greater than the table value of 'F' the alternative hypothesis is accepted. Therefore, there is significance difference on loan outstanding of different years, purpose wise.

CHAPTER-5

SUMMARY, CONCLUSION & RECOMMENDATIONS

The study is concentrated on the financial analysis with special references to the selected organization, Navajeevan Co-operatives Ltd. Dhangadhi. The data range is 1 to 13 years; where ever & how much felt necessary. On the basis of analysis and study, the chapter expresses the main findings and recommendations that make few possible on improving the financial status of the organization. This chapter is sub divided into following threes-

5.1 Summary

5.2 Conclusions

5.3 Recommendations

5.1 Summary

Co-operation among the community people is a past tradition in the world history. Because of the human being a social creature. Co-operation found to be necessary since mankind born to grave. The people having less capital and low income are found more co-operative.

Rochdale Society of Equitable Pioneers is a systematically established organization in England. Co-operative sectors enlarged worldwide thereafter.

Nepal is a developing country, agricultural based economy and about 80.0% of the population resides in rural areas are very poor. Now the question; how majority of the people who have very low income and low living can be stepped in such a circumstances is raised. To remove all the ills and sickness in the economy, the co-operation is the fair and reliable answer. Co-operative origin is the result of

socio-economic exploitation of users, landlords and mill owners etc. It is an organization which operates its activities in equality basis. To eliminate poverty, obtain socio-economic development of rural masses, develop co-operatives and coordination among co-operatives, provide sufficient opportunity of employment and to establish social and economic justice with in the country are the objectives of co-operative organization which are mentioned on co-operative Act 2048. For the socio-economic up-liftment of the country co-operative movement considered as best way.

Co-operative is not a new phonetic term in the Nepalese society. The people of the society assimilated together to help in the especial occasions i.e. birth, marriage, plantation and death. In a national scale; Dharmbhakari, Makaguthi, Parma and Dhikuti are the traditional co-operative forms.

Formally, then systematically, co-operative is introduced in Nepal since 2010 B.S. The first, established co-operative organization in Chitwan was Loan Co-operative Society. A series of pitfalls observed within the period of 2010-2030B.S.

Co-operative sector flourished in Nepal after formulation of the Co-operative Act 2048 and Bylaws 2049. Out of the different co-operative organizations established under HMG, few are in the existence. Sajha Transport, Sajha Swasthya Sewa, Sajha Pasal and Sajha Bhandar are few examples. The co-operative sector has taken a small part of the national economy.

International Co-operative Alliance (ICA), Ministry for Agriculture and Co-operative, Co-operative Board, Sahakari Shangh, Co-operative department and Rastriya Sahakari Banks are few sectors which promote the co-operatives.

Co-operative is a most significant vehicle for mobilizing the scattered saving and putting them in productive use for the benefit of the poorer sections of the society. It can also be taken as a means of getting rid off from the exploitation of landlords, money lenders and speculators. The role of co-operative organization can be regarded as a most significant for socio-economic betterment of the majority of people and their social and economic justice. In terms of socio-economic development of the country co-operative is a key variable.

Public confidence reduced over co-operatives in Nepal because some of the co-operatives which are neither registered under co-operative department nor taken the approval letter of NRB, dismissed the public deposits. Merely, 34 saving & deposit co-operatives get the approved letter of NRB for the banking transaction. They are guided and regulated by NRB.

Navajeevan Co-operatives introduced as a first Co-operative Banking Office, getting approval letter of the NRB and Co-operative Department in the year 2050.

'Samudayik Bachat Kosh' was seeded with the joint effort of 17 members in Kailali & later on introduced all over the country as Navajeevan Co. Ltd. It is applied for registration to the registrar of the co-operative department by its 64 founder members. Now it is running in the 14th year of its establishment with three branches, where altogether 42 employees are working.

The available literatures on overall financial analysis are reviewed and appropriate research methodology is also described. Then all the data are tabulated and analyzed by applying various statistical tools and techniques. To conduct the study by pinpointing it gives some suggestions for the future course of action.

The study highlighted the liquidity position, efficiency of the organization, standard of the ratios, assets management, profit loss tendency, deposit mix & growth, impact of interest rate on deposit as well as loan, loan disbursed sectors, classification of loan, comparative analysis of deposit and loan, amount of NPA and NBA, causes and impact of NPA, cash flows, risk analysis, composition of shareholders, share capital trend and job satisfaction of the employees. To accomplish these objectives different financial tools, some formulated hypothesis and statistical tools (mean, standard deviation, coefficient of variation, students't' test, 'F' test and some other indicators) are used for the meaningful interpretation of the data to find out the true financial picture of the co-operative.

The study may be useful for the organization itself, relevant and for those who are willing for further research in this sector. Time lag, insufficient fund, inadequate published materials are few limits areas of the study. The statement of problem is set to search & explore the answers of the selected questions.

Depending on the historical, descriptive and case study research design, the research has been conducted. Few variables are used by which objectives are affected. Sample size of 22 employees, out of 42 is taken for the context of job satisfaction objective, whereas population data are used for the remaining objectives.

Data are examined through raw-data recorded by the organization as per the objectives determined in the report. Balance Sheets and related materials are the secondary data sources but personal questionnaire survey is a primary source.

Major findings of the study

- Authorized capital of the organization is Rs. 25 crore, which is only 1 crore at the base year 2050. Paid up share capital is Rs. 15035600.00 at the end of 2063.
- The liquidity is sufficient in each economic year. Liquidity analysis focuses that it is excess than the minimum liquidity level in each economic year. Liquidity is rapidly increasing on account of low demand for loan. Nearly, eight times excess i.e. 48% liquidity kept idle in the organization within the F.Y. 060/61 than the standard of 7%.
- The Standard of operating self sufficiency (OSS) for the organization is 150%, while calculated OSS is 67%; this is lesser than the standard value. So, the firm is running in weaker position. FSS 64.30% also indicates the lower value than BEP.
- To asses the financial performance of Co-operatives ratios are calculated. The standard of current ratio in the theoretical norms is 2:1. Where as current ratio for the study period is less than the standard in each financial year.
- Cash and bank balance is sufficient that ranges 36% to 72% against the total deposit. It indicates the ability of payout money at short notice.
- Operating profit margin and interest earned ratio is very low i.e. 4.01% and 4.95% in the FY 058/59 & 060/61 respectively.

- Ratios of return on total assets are also lower. Return on assets depends upon the organizations' business nature and fixed assets which are the major parts of total assets.
- Return on net worth indicates the use of resources of the owners. As per the availability of data, return on net worth in the financial year 2058/059 is 1.82%. Increase in return results the increment of shareholders wealth i.e. net worth.
- Return on capital employed is not satisfactory because of lower net profit after tax, so dividend declared and paid are also lower.
- Capital adequacy ratio is favorable since it is 10% of the total deposits. It is used to measure the strength of capital structure of the organization.
- The portion of interest income to the total income ranges to 59% to 96%, which is the major and sole source of income.
- Interest expenses to total income have been also calculated for the purpose of the study. Interest expenses are paid on collected deposit. Out of the total income, 41% is paid as an interest expenses, the indicator is interest expenses to total income ratio.
- The major finding of employee to total income ratio is 15% to 19% expenditure is made on the total employees of the organization.

- Maximum 9% of the total income is expended on stationary and office expenses.
- Fixed assets turn over ratio is moderate in total, where as total assets turn over ratio is very weak. Though fixed assets are not major parts of business.
- Loans and advances to total deposit ratio has been increasing trend till the FY 058/059 i.e. 99%. The maximum part of deposit is used in loan disbursement. The demand for loan is not so rapid when interest rate on loan is constant but loan disbursed amount is increased approximately Rs. 2.5 crore when average interest rate decreased to 17.80% in the year 2056/57. Loan fluctuation is greater in the later economic years. Loan amount Rs. 1.20 crore transferred into non banking assets account in the year 2059/60 applying the auction process as a loss loan. Yearly loan disbursements are reduced with Rs. 180000.00 in the year 2058/59.
- It is known by the comparative analysis of deposit and loan altogether that loan are excess over deposits in few economic years. The excess flow of loan is extracted from the Share capital. Yearly deposit in the year 2059/60 is positive yet flow of loan is negative.
- By the profit/loss analysis, the organization goes on profit for 8 years and on loss for 2 years. So, through this analysis profit covers 92% whereas, the loss covers only 8%. The maximum profit earned in the year 2055/56 i.e. Rs. 4733000 out of its ten years' running period.

- Deposits are accepted through two accounts: saving and fixed. The cumulative deposit till Ashad 2060 crossed Rs. 12.6 crore. Deposit growth is highest i.e. 101.52% during the year 2051/52. Similarly, deposit for the year 2058/59 reduced by 12.53%.
- There is rapid growth on deposit during the first four years when interest rate on deposit remained constant by 11.32%.
- Out of the total deposit 67% is covered by the General saving account and 33% covered by the remaining accounts. So the ratio of the general saving to total deposit is 0.67:1.
- Pass loan (PA) is in increasing trend i.e. 87% to 91% where as NPA (sub standard, doubtful and loss loan) is in the declining trend i.e.12% to 9%.
- From the analysis of available data, ratio of Non-Banking assets is in the increasing trend; i.e. 0.22% in the FY 053/54 and 17.81% in the FY 059/060. This situation pushes an organization towards losses. It arises as a result of default of loonies.
- Most of cash inflow from opening bank balance and vault. Regular inflow of cash from deposit liability was decreased in the year 058/059. Operating profit is in increasing trend except the financial year 058/059. The inefficiency found in disbursing loan and advances since maximum amount is kept idle as a closing balance in vault and bank. Working capital is decreased in 3 FY's but increase in only one financial year.

- Risk and return are the two important aspects of financial performance of the organization. The return on each share (\bar{R}) is 9.51 percentages whereas risk is 6.8%. By the coefficient of variation analysis, it indicates that each shareholder has to bear 71.27 percentages risk in order to earn 100 percent returns.
- The collection of share capital is 16.34% in the second year of its establishment. Similarly, 19.55% share capital is collected during the year 054/55. In aggregate there was no homogeneity in the collection of the share capital. Share capital is reduced in the FY 058/59 caused of supervisory report of NRB. The dividend is not distributed for 3 years out of ten years whereas, 15% dividend is distributed continuously in the year 2055/56 to 057/58.
- By the analysis of shareholders mobility map, deployment and composition, shareholders are scattered all over the Zones. The home zone of the organization Seti covers 71.85% of the shareholders. Due to the address undefined 0.36% shareholders are unknown. There are two shareholders in Dhawalagiri and Karnali zones each respectively and no shareholders found on 18 districts of the country. Most of them are Himali districts. As per the caste analysis- 31.55% shareholders are Bramhan, 6.16% are Newar, 6.31% Dalit, 27.27% are Chettri, 14.02% are Chaudharys. The majority shareholders who have purchased the share of Rs. 1000 are 48.66% where as the minority shareholders who purchased the share of Rs. 5000 and greater are only 4.36%. Share capital is increasing in a very low order.

- A large number of employees found dissatisfied by the job aspiration analysis.

- Hypothesis has been tested for the purpose of study. Except the null hypothesis under /t/ test (B), the other four hypothesis set above are rejected. By the fact, it is known that the mean ratios of targeted loan collection and actual loan collection are not differing. Similarly, there is significant difference between the mean ratios of targeted loan disbursement and actual loan outstanding. Like wise, there is negative correlation between loan outstanding and profit earned of different years. More over, NPA and NBA have highly negative correlation. The same way, a significant difference appeared on purpose wise loan outstanding of different years.

5.2 Conclusions

In conclusion, it can be said that the financial performance is the most important part of the business organization. Proper use of available resources is the key for business success. The success depends upon the rational and proper utilization of available funds in the portfolio investment sectors.

England is the founder of the co-operative society in the world. 'Rochdale Society of Equitable Pioneers' is the foundation of the co-operative organization & Co-operative society commenced in Nepal in the year 2010 B.S. After the restoration of democracy, the co-operative societies are grown up rapidly when the Co-operative Act 2048 and Bylaws 2049 are formulated. But Navajeevan became a first co-operative banking office of the kingdom of Nepal since 30 Mangshir 2050; registered and approved under co-operative department and central office NRB respectively. In the nation; authorized banking co-operatives are 34 at all, out of which 15 are in the existence now days. Navajeevan Co-operatives Ltd. is the result of the great effort by 17 founder members of "Samudayik Bachat Kosh". The total shareholders at the end of Ashad, 2062 are 5358 and paid up share capital is Rs. 13985 thousand. The dividend is paid in different percentage within the 7 profit years. A composition of saving and fixed deposit amount is Rs. 12.65 crore within the economic year 2061/62. Sixty seven percent of the total deposit accepted through General saving account. Approximately Rs. 2.50 crore loans are disbursed in the year 2056/57 whereas more than 1.20 crore loss loan transferred to non banking assets that caused loan disbursement reduced. The organization earned profit Rs 47 lacks, which is the highest profit figure, in year 2055/56. Out of the ten years, eight year goes

on profit and two year on loss. Paid up capital has a great contribution on loan disbursement.

Share capitals reduced while it is reimbursed in the year 058/59 & 71.85% shareholders are living in the Seti zone. Current ratios of the organization for the study period are very low as compared to the industry average of 2:1. Liquidity is high; similarly cash and bank balance ratio shows strong position of the organization. Operating self sufficiency and financial self sufficiency are weaker. Profitability ratios over the study period are in decreasing order. Declining net profits during the period results the decreasing trend of profitability ratios. Asset management ratio measures the effectiveness of a firm. Fixed assets turnover ratio has average trend. Total assets turnover is very low. Similarly, maximum utilization of collected deposit is seemed in the FY 056/57. Returns on net worth and capital employed ratio are weak. In conclusion, asset management is not going in accurate direction. Loan and advances to total deposit ratio are more fluctuating over the study period.

By the analysis, it can be clearly said that the loan disbursed are affected by the economic environment of the nation. Capital adequacy ratio is favorable so, the amount of capital is adequate in terms of deposit collected. The part of interest income covers the larger quantity of total income, where as the contribution of non interest income (discount and commission) is uncountable. The number of employees are adding in the subsequent years on the effect expenditure on the employees are also growing up. Loan client are benefited when average interest rate on loan disbursement are decreased, as a result demand for loan is increased. The major causes of low recovery and huge parts

of loss loan are conflict and seas fire over the country. The profit in the profit years is favorable but the amount on digit is very low figure. Borrowings and deposit collected are the lending sources. But the co-operatives are excluded by the borrowing facility. Hence, public deposit is a sole source of lending.

On the deposit mix, General Saving account carries 67% deposit while the rest account types carry only 33% of the total deposit. Unrecoverable loss loan are transferred into the non banking accounts so the amount of non banking assets are increased and vs. Working capital under the cash flow analysis is important indicator whether cash inflows than the outflows are satisfactory or not. By the analysis, it comes to know that cash outflows are turning high & working capital for the organization is getting low. Return are lower in case of taking risk i.e. 6.8% risk against the 9.51%return. The owners of the co-operative are its shareholders & are paid 15% maximum of dividend. By the deployment analysis, the shareholders are scattered all over the country. Nearly, one-third is Bramhan shareholder, 27% Dalit and 14% are Chaudharys. Shareholders who purchased the share of Rs. 1000.00 are largest in number. The employees of the organization are not satisfied with their job. Null hypothesis under 't' test for testing the significant difference between mean ratios of targeted and actual loan collection is accepted. Thus it can be concluded that Navajeevan co-operative is still back warded due to lack of the new techniques, untrained manpower, lack of expertise on management, low access on information technology and less competitive capacity of the organization.

5.3 Recommendations

A clear financial picture of Navajeevan co-operatives Ltd. can be viewed from the presentation and analysis. Based on the findings and conclusions; some suggestions & recommendations have been put forward for improving the performance of co-operatives.

1. Forty eight percent excess liquidity seemed at the year end 2060/61. This excess liquidity incurs the idle cost on deposit. So, an optimal liquidity shall be maintained considering cash reserve ratio (CRR). A least liquidity fades away the public confidence. If bank is unable to pay the drawer, run on a bank situation occurs. So, the optimal liquidity is possible through the accurate measurement of deposit and loans disburse relation. Hence, it is recommended to utilize the funds properly.
2. It is seemed that deposit has a low growth after the FY 2053/54 and 67% of the total deposit is carried ahead by General saving account. Therefore, rest account types shall be made advance operative.
3. Co-operative has to compete with commercial banks, finance companies and other institutions. Depositing process should be simplified for attracting additional fixed deposits as well as new deposit scheme take in to operation and implementation.
4. Competition is raising due to the vast development on IT sector so, by the SWOT, ETOP and SWAP analysis the organization has to grasp unseen opportunities.

5. Because of the profit motive banking office, whether Navajeevan has to provide different facilities to the depositors and it have to expand its branches in urban cities to attract depositors. Such as, safe deposit locker facility, telex, SWIFT, ATM, ABBS, tele-banking, debit/credit card facility, traveler cheque, bank guarantee, remittance and L/C facilities or it has to move backward and work in the rural community only. There are no other alternatives rather than above two.
6. To generate more income, the fund shall be invested in the portfolio sectors i.e. purchase of government bonds, treasury bills and other short term investments in order to invest only in prescribed loan headings. Risk factor should also be taken into consideration while utilizing funds.
7. The average interest rate on loan analysis showed the loan disbursement are increasing while interest on loan decreasing. Therefore, higher interest rate on loan headings shall be comparatively decreased observing the competitive market rate.
8. Operating income of the organization should be increased to meet the OSS and FSS requirements. At least 150% OSS and 100% FSS are the true financial indicators.
9. Profit analysis shows the great fluctuation within the periods. Profit depends on the well disbursed loans, and loan on the deposits; hence, deposits are the root of profit an extent. The excess income over the expenditure is called profit. Profit is the sustainable index for every business organization and progress is then only possible if profit can be maximized. Thus, expenditure shall be reduced as far as possible.

10. Current ratio during the study period is found less than 2:1; therefore, current assets (not fixed assets) should be increased immediately.
11. Capital adequacy ratio disclosed the favorable amount of capital i.e. greater than 10% of the deposits. Hence, larger percentage of capital through the sell of equity shares is recommended.
12. By the calculation and conclusion of profitability ratio; operating profits are found very low, so it is recommended to grow the total income and wipe-out unnecessary expenses.
13. The management of the organization has to pay their attention on the other sources of income; as commission income and discount income, since it has low expenses but high profit margins than the interest income.
14. Forty-one percent of the total income goes on paying the interest expenses, thus low cost of borrowings also been taken with deposits.
15. The unnecessary expenditure under the heading maintenance, hostility, miscellaneous, penalties & donation might have been controlled as Bylaws & unseen income headings such as insurance commission, hire purchase commission etc. shall be displayed in the profit loss account of the organization.
16. The loss loan Rs. 1.20 crore transferred into the non banking asset accounts in the year 2059/60 which causes loan disbursed figure reduced. Loss loan & non banking assets pushes the organization in a trap. Hence, it should be reduced effectively to zero as soon as possible.

17. In case of NPA & NBA, the employees of the loan department and loan related authority has to pay attention while disbursing loan that the loan disbursement made are reasonable, recoverable, project oriented, out of undue influence, accurate collateral? Similarly, supervision, monitoring & continue evaluation process has to step forward after the loan disbursement made, though pass loan would not become a loss loan.
18. Working capital (i.e. CA-CL) of the organization is negative in the 3 financial years. It is because of the excess cash outflow than cash inflow. Hence, it is recommended to purchase the current assets rather than increasing the fixed assets.
19. The excess loans over the deposits in the different economic years are supplied through the paid up share capital and reserves. The share capital is used as a major source of lending so, an attempt for increasing share capital is necessary.
20. The majority of lower status shareholders who purchased the share of Rs. 1000.00 are diversified with in the periphery of Seti & Bheri zones. As per the core norms of co-operative, Bylaws & Article of Association, larger number of shareholders might be woven-up in a single garlent including remaining 18 Himali districts where the number of shareholders found zero.
21. By the job aspiration analysis absenteeism, part time job, grievances and employee turnover seemed increasing as well as pay satisfaction, team works, coordination and motivation are declining as a result productivity continually decreases. Therefore, considering employees' the key factor of an organization; a top executive or a management level shall always pay attention towards

increasing their job loyalty and attempt reducing dissatisfaction using motivation, utilization and maintenance factors.

22. By the fact, it is known that the mean ratios of targeted loan collection and actual loan collection are same. Similarly, there is significant differences appeared between the mean ratios of targeted loan disbursement and actual loan outstanding. Likewise, a negative correlation displayed between loan outstanding and profit/loss earned during different years. More over, NPA and NBA have highly negative correlation. A significant difference visualized on purpose wise loan outstanding of different years. So, it is highly recommended that the organization has to wipe out the mismatches between loan, liquidity, NPA, recovery and profit /losses.

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Appendix -I

Questionnaire

1. Have you acquired any type of training since appointed in this organization?

Yes No

2. Did the employees' get promotion on the seniority basis?

Yes No

3. Whether the employees' rewarded observing his/her work performance level?

Yes No

4. Does the work performance appraisal system in existence?

Yes No

5. Has the employees' grievance handled?

Yes No

6. Was disciplinary action taken against any employee?

Yes No

7. Will you recommend your offspring working for the same nature of job?

Yes No

8. Does the pay at present satisfy your requirements?

Yes No

9. Is it necessary to work outside to meet the current expenses yourself?

Yes No

10. Monthly expenses ranges to:

Rs. 2000.00-3000.00

Rs. 3000.00-4000.00

Rs. 4000.00-5000.00

Rs. 5000.00-6000.00

Rs. 6000.00-7000.00

11. Teamwork and coordination among employees'

Far better General

12. Leave facility utilized?

Less consumed and more accumulated

All leaves consumed

More leaves consumed and less accumulated

All leaves accumulated

13. Additional employee recruiting situation:

General No

Appendix -II

1. Current liabilities

Rs. ('000)

Particulars	2056/57	2057/58	2058/59	2059/60	2060/61	2061/62
Saving deposits (only)	75049	89099	72407	95393	112767	140157
Current liabilities	6512	13153	16126	22542	20757	18929
Other liabilities excluding provisions	0.00	2	0.00	0.00	0.00	0.00
Total	81561	102254	88533	117935	133524	159086

2. Current Assets

Rs. ('000)

Particulars	2056/57	2057/58	2058/59	2059/60	2060/61	2061/62
Cash in hand	3126	2854	2171	1713	1816	1797
Cash at bank	33931	35538	24215	55437	78744	96275
Other assets exclude non banking assets	2838	4940	9256	7842	7965	7751
Loan and advances	77839	104175	102304	90264	90317	101176
Loan to employees	0.00	0.00	764	1112	2053	2728
Total	117734	147507	138710	156368	180895	209727

Appendix -III

<u>Interest rate on deposit</u>		<u>Percentage (%)</u>								
<i>Economic year</i>	<i>050</i>	<i>051</i>	<i>052</i>	<i>053</i>	<i>054</i>	<i>055</i>	<i>056</i>	<i>057</i>	<i>058</i>	<i>059</i>
<i>Deposit type</i>	<i>/51</i>	<i>/52</i>	<i>/53</i>	<i>/54</i>	<i>/55</i>	<i>/56</i>	<i>/57</i>	<i>/58</i>	<i>/59</i>	<i>/60</i>
<i>1. Home saving</i>	10	10	10	10	...	8	8	...	7.5	6.5
<i>2. Continuous saving</i>	15	15	15	15	15	15	15	15	15	15
<i>3. Special saving</i>	3	3	3	3	...	1.5	1.5	...	1	1
<i>4. Simple saving</i>	9	9	9	9	...	7	7	...	7	6
<i>5. Fixed deposit (aver.)</i>	11.9	11.9	11.9	11.9	...	8.43	8.43	...	7.5	7.75
<i>6. Principal doubling scheme</i>	15	15	15	15	15	15	15	15	15	15
<i>7. Regular and monthly saving</i>	15	15	15	15	15	15	15	15	15	15
<i>8. Lakhapati saving scheme</i>	-	-	-	-	-	-	-	15	15	15

<u>Interest rate on loan</u>		<u>Percentage (%)</u>								
<i>Economic year</i>	<i>050</i>	<i>051</i>	<i>052</i>	<i>053</i>	<i>054</i>	<i>055</i>	<i>056</i>	<i>057</i>	<i>058</i>	<i>059</i>
<i>Loan type</i>	<i>/51</i>	<i>/52</i>	<i>/53</i>	<i>/54</i>	<i>/55</i>	<i>/56</i>	<i>/57</i>	<i>/58</i>	<i>/59</i>	<i>/60</i>
<i>1. Hypothecation</i>	19	19	19	19	...	17	17	...	15.5	14.5
<i>2. Service business</i>	21	21	21	21	...	16.5	16.5	...	15	14
<i>3. Farming</i>	19	19	19	19	...	16.5	16.5	...	15	14
<i>4. Cottage industry</i>	19	19	19	-	-	-	-	-	-	-
<i>5. Industry- current</i>	-	-	...	...	...	16	16	...	15	14
<i>- fix capital</i>	-	-	-	...	...	17.5	17.5	...	15.5	15
<i>6. Miscellaneous</i>	21	21	21	21	...	...	...	-	-	-
<i>7. Gold pledged</i>	18	18	18	...	...	-	-	-	-	-
<i>8. Emergency purpose</i>	12	12	12	12	...	17	17	...	16	15
<i>9. Fixed deposit pledged</i>	...	...	...	...	...	+2	+2	...	+2	+2
<i>10. Hire purchase</i>	21	21	21	21	...	17	17	...	16	15
<i>11. Domestic equipment</i>	-	-	-	-	-	17	17	...	-	14
<i>12. Govt. security pledged</i>	16	16	16	16	-	14	14	...	+2	+2
<i>13. Micro project /Deprived sector</i>	-	-	-	-	...	15	15	...	14	13
<i>14. Construction /Housing</i>	18	18	18	18	18	18	18	...	16	14.5
<i>15. Higher degree edu.</i>	-	-	-	-	-	-	-	-	-	14.5
<i>16. Foreign country employment</i>	-	-	-	-	-	-	-	-	-	14.5

Appendix-IV

Balance Sheet

Rs. ('000)

S.N.	Particulars	2058 Ashad	2059 Ashad	2060 Ashad	2061 Ashad	2062 Ashad
	Capital & Liabilities	<u>154805</u>	<u>143975</u>	<u>195093</u>	<u>228602</u>	<u>231383</u>
1	Paid up capital	13564	12218	12569	13169	13986
2	General reserves	2713	2789	3202	3333	3775
3	Other reserves	2212	1470	1420	1151	1204
4	Profit & losses	0	22	2	12	71
5	Deposits	117914	103140	126468	146299	178886
6	Accrued interest	4294	6469	10523	8688	10168
7	Loan loss provision	3774	6601	5645	9502	7850
8	CL / Other liabilities & provision	10334	11266	35264	46448	15443

	Assets & Properties	<u>154805</u>	<u>143975</u>	<u>195093</u>	<u>228602</u>	<u>231383</u>
1	Cash in vault	2854	2171	1713	1816	1797
2	Cash at bank :					
2.a	Nepal Rastra Bank	2983	281	1730	2417	2664
2.b	Commercial Banks	32523	20505	36912	62841	74110
2.c	Other financial inst.	32	3429	16795	13486	19501
3	Investments	2202	127	127	628	623
4	Loan and advances	104175	102304	90264	90316	101176
5	Fixed assets	822	903	687	3209	3189
6	Other assets	9214	13490	45753	51835	25595
7	Loan to employees	0	765	1112	2054	2728

Appendix-V

Profit and Loss A/C

Rs. ('000)

S.N.	Particulars	2057/58	2058/59	2059/60	Increase/Decrease (%)	
					2058/59	2059/60
1	<u>Incomes</u>	<u>17064</u>	<u>16669</u>	<u>21005</u>	(2.31)	26.01
	Interest income	16256	16034	12424	(1.36)	(22.52)
	Investments on share	316	299	3	(5.38)	(98.99)
	Miscellaneous income	492	336	8578	(31.71)	2452.97
2	<u>Expenditure</u>	<u>14078</u>	<u>16027</u>	<u>18571</u>	<u>13.84</u>	<u>15.87</u>
	Interest on deposits	8121	8685	8753	6.94	0.78
	Interest on borrowing	56	45	0	(19.64)	-
	Employee exp.	3291	3036	3283	(7.75)	8.14
	Office exp.	1127	1323	1224	17.39	(7.48)
	Provision for loan loss	1383	2827	4986	104.41	76.37
	Miscellaneous	100	111	325	0.11	192.79
3	<u>Operating profit</u>	<u>2986</u>	<u>642</u>	<u>2434</u>	<u>(78.50)</u>	<u>279.13</u>
4	Income tax provision	1020	342	803	(66.47)	134.80
5	Profit after tax	1966	300	1631	(84.74)	443.67
6	B/F from dividend equalization fund	537	400	150	(25.51)	(62.50)
7	Retained earnings	0	0	22	-	-
8	Tax exp. of last year	0	0	0	-	-
9	<u>Distributable profit</u>	<u>2503</u>	<u>700</u>	<u>1803</u>	<u>(72.03)</u>	<u>157.57</u>
10	<u>Profit Distribution</u>					
	General reserves	492	75	413	(84.76)	450.67
	Gratuity fund	79	12	66	(84.62)	450.00
	Co-operative edu. Fund	39	6	33	(84.62)	450.00
	Capital fund	39	6	33	(84.62)	450.00
	Loss equalization fund	39	6	33	(84.62)	450.00
	Proposed dividend	1815	573	1222	(68.43)	113.26
11	Transferred to B/S	<u>0</u>	<u>22</u>	<u>3</u>	-	-

Appendix-VI

T-test	Calculation Table			Rs. ('00,000)		
<i>FY</i>	<i>X1</i>	$(X1 - \bar{x}_1)$	$(X1 - \bar{x}_1)^2$	<i>X2</i>	$(X2 - \bar{x}_2)$	$(X2 - \bar{x}_2)^2$
<i>2058/59</i>	<i>672</i>	<i>105.2</i>	<i>11067.04</i>	<i>1023</i>	<i>5</i>	<i>25</i>
<i>2059/60</i>	<i>248</i>	<i>-318.8</i>	<i>101633.44</i>	<i>903</i>	<i>-115</i>	<i>13225</i>
<i>2060/61</i>	<i>470</i>	<i>-96.9</i>	<i>9370.24</i>	<i>903</i>	<i>-115</i>	<i>13225</i>
<i>2061/62</i>	<i>758</i>	<i>191.2</i>	<i>36557.44</i>	<i>1012</i>	<i>-6</i>	<i>36</i>
<i>2062/63</i>	<i>686</i>	<i>119.2</i>	<i>14208.64</i>	<i>1249</i>	<i>231</i>	<i>53361</i>
<i>N=5</i>	$\sum x_1=2834$		<i>172836.8</i>	$\sum x_2=5090$		<i>79872</i>

Where,

X1 = Targeted loan disbursement

X2 = Actual loan outstanding

Here,

$$\bar{x}_1 = \frac{\sum x_1}{n} = \frac{2834}{5} = 566.8$$

$$\bar{x}_2 = \frac{\sum x_2}{n} = \frac{5090}{5} = 1018$$

Now,

$$S = \sqrt{\frac{\sum (x_1 - \bar{x}_1)^2 + \sum (x_2 - \bar{x}_2)^2}{(n_1 + n_2 - 2)}}$$

$$= \sqrt{\frac{(172836.8 + 79872)}{(5 + 5 - 2)}}$$

$$= 177.73$$

$$\begin{aligned} \text{S.E.} &= S \times \sqrt{\frac{1}{n_1} + \frac{1}{n_2}} \\ &= 177.73 \times \sqrt{\frac{1}{5} + \frac{1}{5}} \\ &= 112.41 \end{aligned}$$

$$\text{t cal.} = \frac{\bar{x}_1 - \bar{x}_2}{\text{S.E.}}$$

$$\text{t cal.} = \frac{566.8 - 1018}{112.41}$$

$$|t| = 4.01 \text{ \& t cal.} = 4.01$$

Appendix-VII

T-test Calculation Table

Rs. ('00,000)

<i>FY</i>	<i>X1</i>	$(X1 - \bar{x}_1)$	$(X1 - \bar{x}_1)^2$	<i>X2</i>	$(X2 - \bar{x}_2)$	$(X2 - \bar{x}_2)^2$
2058/59	478	8.8	77.44	440	53.8	2894.44
2059/60	550	80.8	6528.64	276	-110.2	12144.04
2060/61	413	-56.2	3158.44	439	52.8	2787.84
2061/62	480	10.8	116.64	420	33.8	1142.44
2062/63	425	-44.2	1953.64	356	-30.2	912.04
<i>N=5</i>	$\Sigma x1=2346$		11834.8	$\Sigma x2=1931$		19880.8

Where,

X1 = Targeted loan collection

X2 = Actual loan collection

Here, $\bar{x}_1 = \frac{2346}{5} = 469.2$

$\bar{x}_2 = \frac{1931}{5} = 386.2$

Now,

$$S = \sqrt{\frac{\Sigma(x_1 - \bar{x}_1)^2 + \Sigma(x_2 - \bar{x}_2)^2}{(n_1 + n_2 - 2)}}$$

$$= \sqrt{\frac{11834.8 + 19880.8}{5 + 5 - 2}}$$

$$= \sqrt{3964.45}$$

$$= 62.96$$

Again,

$$S.E. = S \times \sqrt{\frac{1}{n_1} + \frac{1}{n_2}}$$

$$= 62.96 \times \sqrt{\frac{1}{5} + \frac{1}{5}}$$
$$= 39.82$$

$$\text{t cal.} = \frac{\bar{x}_1 - \bar{x}_2}{S.E.}$$
$$= \frac{469.2 - 386.2}{39.82}$$

$$\text{t cal.} = 2.084$$

Appendix-VIII

Correlation		Calculation Table			Rs.('00,000)	
<i>FY</i>	<i>X</i>	<i>Y</i>	<i>X²</i>	<i>Y²</i>	<i>XY</i>	
<i>2058/59</i>	<i>1023</i>	<i>3</i>	<i>1046529</i>	<i>9</i>	<i>3069</i>	
<i>2059/60</i>	<i>903</i>	<i>16</i>	<i>815409</i>	<i>256</i>	<i>14448</i>	
<i>2060/61</i>	<i>903</i>	<i>5</i>	<i>815409</i>	<i>25</i>	<i>4515</i>	
<i>2061/62</i>	<i>1012</i>	<i>18</i>	<i>1024144</i>	<i>324</i>	<i>18216</i>	
<i>2062/63</i>	<i>1249</i>	<i>1</i>	<i>1560001</i>	<i>1</i>	<i>1249</i>	
<i>N=5</i>	<i>ΣX=5090</i>	<i>ΣY=43</i>	<i>ΣX²=5261492</i>	<i>ΣY²=615</i>	<i>ΣXY=41497</i>	

Where,

r= correlation coefficient

N= number of years

X= outstanding loan at the year end

Y= profit /loss during the period

Applying Carl Pearson's equation, we have,

$$r = \frac{N \cdot \sum XY - \sum X \cdot \sum Y}{\sqrt{N \cdot \sum X^2 - (\sum X)^2} \cdot \sqrt{N \cdot \sum Y^2 - (\sum Y)^2}}$$

$$r = \frac{5 \times 41497 - 5090 \times 43}{\sqrt{5 \times 5261492 - (5090)^2} \cdot \sqrt{5 \times 615 - (43)^2}}$$

$$r = \frac{207485 - 218870}{\sqrt{26307460 - 25908100} \cdot \sqrt{3075 - 1849}}$$

$$r = \frac{-11385}{\sqrt{399360 \times 1226}}$$

$$r = \frac{-11385}{22127}$$

$$r = -0.5145$$

Appendix-IX

Correlation Calculation Table			Rs.('00,000)		
<i>FY</i>	<i>X</i>	<i>Y</i>	<i>X</i> ²	<i>XY</i>	<i>Y</i> ²
2058/59	156	42	24336	6552	1764
2059/60	111	161	12321	17871	25921
2060/61	112	111	12544	12432	12321
2061/62	94	178	8836	16732	31684
2062/63	75	166	5625	12450	27556
<i>N=5</i>	$\Sigma X=548$	$\Sigma Y=658$	$\Sigma X^2=63662$	$\Sigma XY=66037$	$\Sigma Y^2=99246$

Where, r = correlation coefficient

N = number of years

X = Non performing assets

Y = Non banking assets

Applying Carl Pearson's equation, we have,

$$r = \frac{N \cdot \Sigma XY - \Sigma X \cdot \Sigma Y}{\sqrt{N \cdot \Sigma X^2 - (\Sigma X)^2} \cdot \sqrt{N \cdot \Sigma Y^2 - (\Sigma Y)^2}}$$

$$r = \frac{5 \times 66037 - 548 \times 658}{\sqrt{5 \times 63662 - (548)^2} \cdot \sqrt{5 \times 99246 - (658)^2}}$$

$$r = \frac{330185 - 360584}{\sqrt{318310 - 300304} \cdot \sqrt{496230 - 432964}}$$

$$r = \frac{-30399}{\sqrt{18006 \times 63266}}$$

$$r = \frac{-30399}{33752}$$

$$r = -9.0$$

Appendix-X

F- Test analysis of variance of purpose wise actual loan outstanding Rs. (in lakhs)

<i>FY</i>	X_1	X_2	X_3	X_4	X_5	$(X_1 - \bar{x}_1)^2$	$(X_2 - \bar{x}_2)^2$	$(X_3 - \bar{x}_3)^2$	$(X_4 - \bar{x}_4)^2$	$(X_5 - \bar{x}_5)^2$
2058/59	588	164	233	10	28	10.24	5155.24	2894.44	101.60	1.44
2059/60	526	120	224	4	29	4251.04	772.84	3943.84	258.56	4.84
2060/61	526	86	266	5	20	4251.04	38.44	432.64	227.40	46.24
2061/62	582	58	324	20	27	84.64	1169.64	1383.84	0.0064	0.04
2062/63	734	33	387	65	30	20391.84	3504.64	10040.04	2017.80	10.24
<i>N=5</i>	ΣX_1 =2956	ΣX_2 =461	ΣX_3 =1434	ΣX_4 =104	ΣX_5 =134	$\Sigma (X_1 - \bar{x}_1)^2$ =28988.8	$\Sigma (X_2 - \bar{x}_2)^2$ =10640.8	$\Sigma (X_3 - \bar{x}_3)^2$ =18694.8	$\Sigma (X_4 - \bar{x}_4)^2$ =2605.3664	$\Sigma (X_5 - \bar{x}_5)^2$ =62.8

$$\bar{x}_1 = \frac{\Sigma X_1}{N} = \frac{2956}{5} = 591.2$$

$$\bar{x}_2 = \frac{\Sigma X_2}{N} = \frac{461}{5} = 92.2$$

$$\bar{x}_3 = \frac{\Sigma X_3}{N} = \frac{1434}{5} = 286.8$$

$$\bar{x}_4 = \frac{\Sigma X_4}{N} = \frac{104}{5} = 20.08$$

$$\bar{x}_5 = \frac{\Sigma X_5}{N} = \frac{134}{5} = 26.8$$

$$\text{Grand Mean } \bar{X} = \frac{591.2 + 92.2 + 286.8 + 20.08 + 26.8}{5} = 203.42$$

Sum of square between samples (purpose wise)

$$\begin{aligned}
 &= nX_1(\bar{X}_1 - \bar{X})^2 + nX_2(\bar{X}_2 - \bar{X})^2 + nX_3(\bar{X}_3 - \bar{X})^2 + nX_4(\bar{X}_4 - \bar{X})^2 + nX_5(\bar{X}_5 - \bar{X})^2 \\
 &= 5(591.2 - 203.42)^2 + 5(92.2 - 203.42)^2 + 5(286.8 - 203.42)^2 + 5(20.08 - 203.42)^2 + 5(26.8 - 203.42)^2 \\
 &= 751866.64 + 61849.44 + 34761.12 + 168067.77 + 155973.12 \\
 &= 1172518.09
 \end{aligned}$$

Sum of squares within samples

$$\begin{aligned}
 &= \sum(X1 - x_1)^2 + \sum(X2 - x_2)^2 + \sum(X3 - x_3)^2 + \sum(X4 - x_4)^2 + \sum(X5 - x_5)^2 \\
 &= 28988.8 + 10640.8 + 18694.8 + 2605.36 + 62.8 \\
 &= 60992.56
 \end{aligned}$$

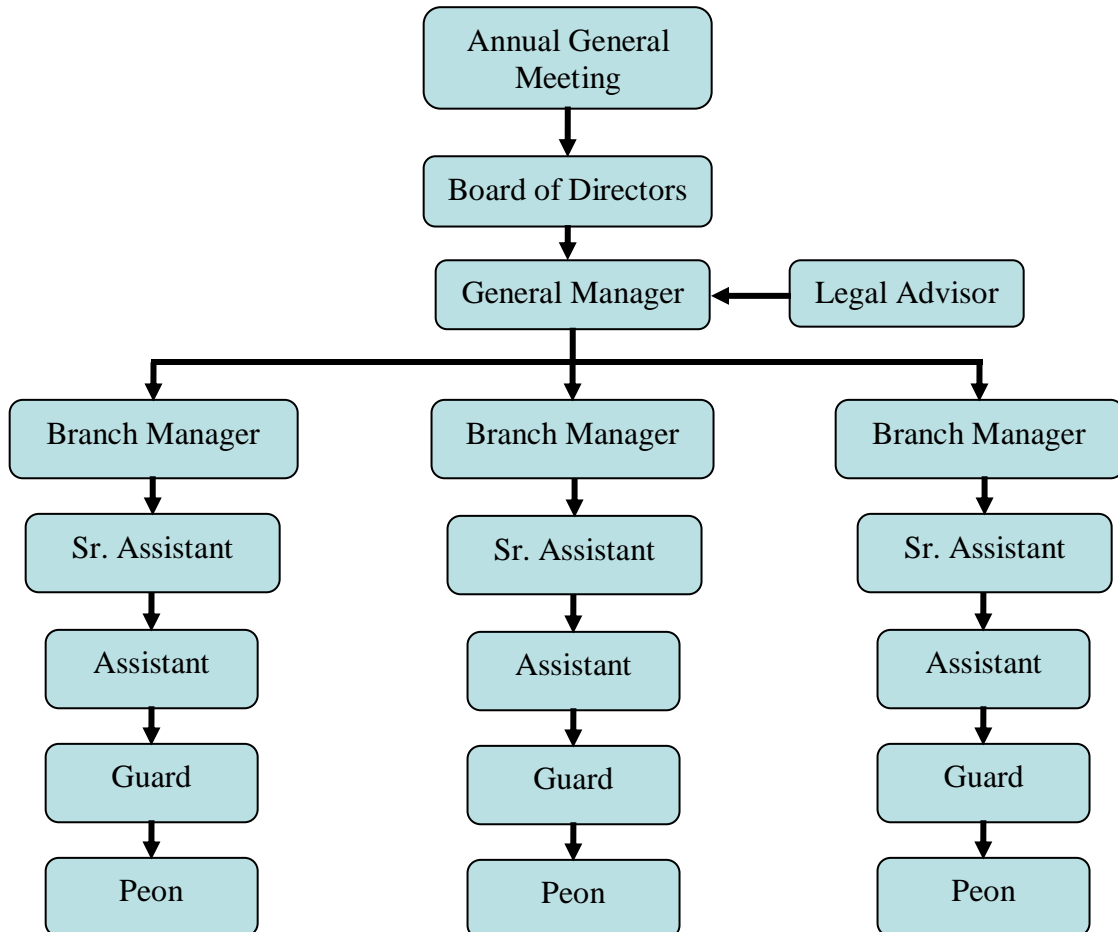
One Way ANOVA Table

Sources of Variation	Sum of Squares	D.F.	Mean Sum of Squares	F-ratio
Between Samples	1172518.09	5-1=4	$\frac{1172518.09}{4} = 293129.52$	$F = \frac{293129.52}{2541.35} = 115.34$
Within Samples(error)	60992.56	25-5=20	$\frac{60992.56}{20} = 2541.35$	
Total		24		

The tabulated value of 'F' at 5% level of significance for 4 and 20 degrees of freedom is 2.8

Appendix-XI

Organization Chart of the Co-operatives



Appendix-XII

1. Navajeevan Co-operatives Ltd.



2. Kailali Multiple Campus Dhangadhi



3. Researcher

